TAB 15

APPENDICES TO
QSR MANAGEMENT LIMITED
OPERATING MANUAL
FOR
CHEYNE FINANCE PLC
AND
CHEYNE FINANCE CAPITAL NOTES LLC
AND
CHEYNE FINANCE LLC

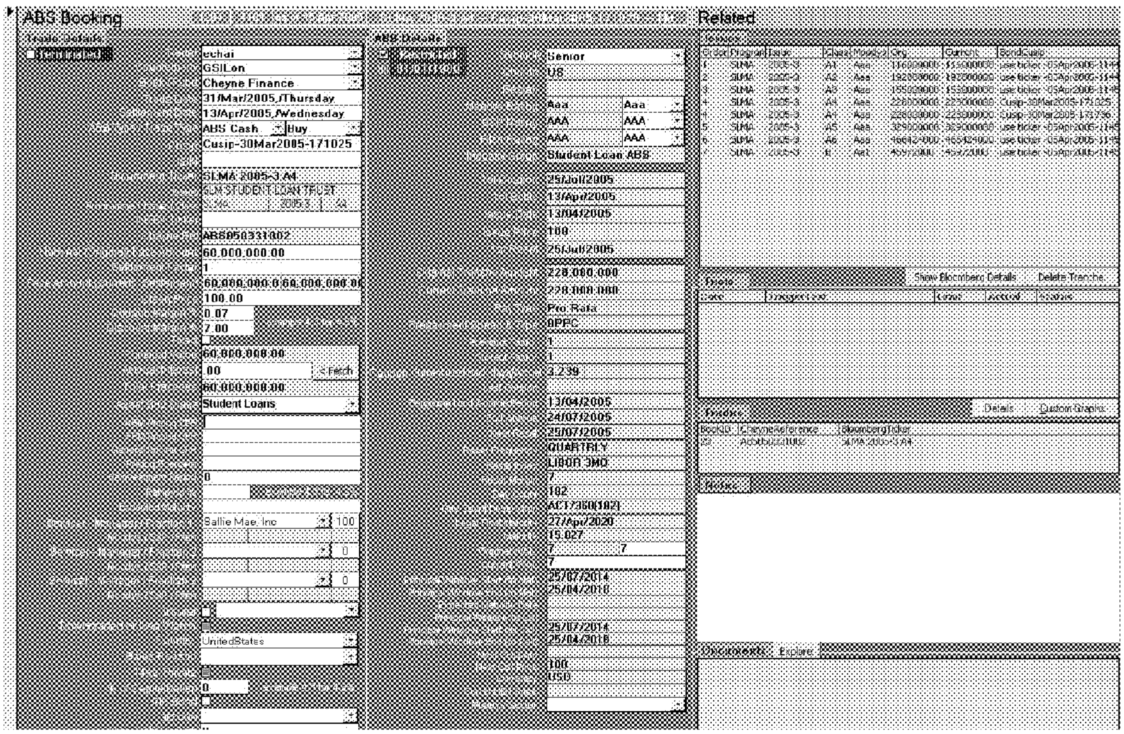
2005

Standard & Poor's

TABLE OF CONTENTS

App. 1 Sample Trade Tickets

TEAMs



Ensis®

Cheyne Finance Ireland Limited
TRADE DETAIL SHEET

B_78442[redacted] **Buy** *COMPLETE*

Trade Type	Bond	User Group	ASM	Trade Date	31-Mar-05
		Currency	USD	Start Date	13-Apr-05
Trader	Edward Chal	Purchase Price	100.00000000	Settlement Date	13-Apr-05
Ticket Number	7074			Maturity Date	27-Apr-20
Notional Amount	60.00000000	Factored Principal Amt	60.00000000	Call/Put	
Factor	1.00000000			Exp Maturity Date	25-Mar-14
Accrued Interest	0.00000000	Discount		Average Life	7.00000000 (years)
Total Proceeds	-60.00000000	Yield		Bloomberg Ticker	SLMA 2005-3 A4
Headline Cost (bp)		All-In Cost (bp)		ISIN	
Headline Rate (%)				CUSIP	
Discount Margin	7.00000000	Collateral Req.	1.00000000	External Ref	

Ratings:	S&P	AAA	Moody's	Aaa	Fitch	AAA	Sub Rating

Coupon:	Currency	USD	Term	3M	Index	Libor	Spread	7	Daycount Basis: Actual/360
(Floating)	Variable	No	Reference	BBA	Cap Strike %	0	Floor Strike %	0	
			Non Std Delays		Step-up Date		Step-up Rate		

Schedule

Schedule Source	From Bloomberg	Adjust Period End Dates	Y	
Payment Calendar	GBP,USD			
Reset Calendar	USD			
Delay	0	Day Adjustment	Mod Next	

		Scheduled Day	Day	Long First	Long Last	PV01
Payment	JAJO	Day	25	N	N	
Compound	JAJO	Day	25	N	N	
Accrual	JAJO	Day	25	N	N	0.00001

Overrides

		Non Standard Days	Spread
Front Stub			0.000000
Back Stub			0.000000

PTRADE	-	Internal Ticket No	26833
Subportfolio ID			
Broker Fin Deal	No	USD Notional	Yes
Custody Loc	DTC		
Fund Book	CFIL		

Broker	Goldman Sachs
Counterparty	SLMA 2005-3 A4
Parent	SLM STUDENT LOAN TRUST 2005-3

Comments:

APPROVED BY:	MODELLED BY:	COMMITTED BY:	COMPLETED BY:	ASM APPROVED:	ACCOUNTING SIGN-OFF
Edward Chal	Jennie Thompson	Doug James	Jennie Thompson		

App. 2 Liability and Derivative Trade Pre-approvals

Cheyne Finance (Finance) PLC
Form of Liability and Derivative Trade Pre-Approvals

The Investment Manager hereby grants the following Liability and Derivative pre-approvals:

It is agreed the Administrator and the Investment Manager will discuss in detail the funding and hedging requirements prior to execution. Generally, this discussion will occur one day prior to execution, to allow flexibility to fund and hedge, as appropriate, in the European markets. For funding and hedging in the US market, this discussion can occur on a same day basis. The discussion will include market trading levels, yield curve strategies and tenor.

The Investment Manager expressly authorises the Administrator to execute, without any pre-approval from the Investment Manager:

(i) for Commercial paper issuance in Europe and the US which results in an all-in cost to Cheyne Finance of less than or equal to USD Libor [Flat], or hedged equivalent thereof; and

(ii) for Medium Term Note issuance in Europe and the US which results in an all-in cost to Cheyne Finance of less than or equal to USD Libor [+2.0] bp, or hedged equivalent thereof.

Where a trade falls outside the above criteria, then the Investment Manager will be required to provide (and the Administrator will be required to seek) authorization by telephone (on a recorded line) in the first instance; ; such authorization will be subsequently confirmed in writing by facsimile from the Investment Manager and the Administrator will attempt to obtain such authorization prior to settlement. However, in the event that the faxed authorization has not been received prior to the settlement cut-off time, then the Investment Manager expressly authorizes the Administrator to settle the trade in good faith.

In cases where the "all-in" level of funding cannot be calculated at the time of trading, the Investment Manager expressly authorizes the Administrator to substitute the "Headline Level" in place of the"all-in level" to determine if the trade falls within the pre-approved levels outlined above. Once the "all-in" level can be calculated, the Administrator will obtain retrospective authorization from the Investment Manager should the resulting "all-in" level fall outside the pre-approved levels outlined above.
Furthermore, in the case of non-USD denominated assets purchased by Cheyne Finance, the Investment Manager expressly authorizes the Administrator to obtain suitable hedging to convert these assets back to a USD cashflow in the event that funding in the applicable non-USD currency cannot be obtained (in whole or in part) up to a maximum maturity of [13 months].

This pre-approval will remain in force until such time as the Investment Manager notifies the Administrator in writing that the pre-approval is withdrawn.

Signed:

For and on behalf of the Investment Manager	For and on behalf of the Administrator
By:	By:

Name:	Name:
Title:	Title:
Date:	Date:

Annex A – Standard Liability and Derivative Authorisation Form

The Investment Manager hereby authorises the following liability or derivative trade by the Administrator for and on behalf of Cheyne Finance (Finance) PLC:

Trade Type: ____________________

Trade Date: ____________________

Settlement Date: ____________________

Maturity date: ____________________

Term: ____________________

Notional: ____________________

Currency: ____________________

Issuance/hedge Level: ____________________

All-In Rate: ____________________

Signed for and on behalf of the Investment Manager

By: ______________________________

Name: ______________________________

Title: ______________________________

App. 3 Short-term Asset Pre-Approval

Cheyne Finance (Finance) PLC
Short-term Asset Trade Pre-Approval

The Investment Manager hereby grants the following Short-Term asset pre-approval:

It is agreed the Administrator and the Investment Manager will discuss in detail the short-term investment requirements prior to execution. The discussion will include available investments, market trading levels and tenor.

The Investment Manager expressly authorises the Administrator to execute, without any pre-authorisation from the Investment Manager, any short-term asset with a counterparty in Annex A below, having a duration of less than or equal to 30 days, so long as the rating of the counterparty has not been withdrawn or reduced below what is shown in Annex A.

Where a trade falls outside the above criteria, then the Investment Manager will be required to provide (and the Administrator will be required to seek) authorization by telephone (on a recorded line) in the first instance; such authorization will be subsequently confirmed in writing by facsimile from the Investment Manager and the Administrator will attempt to obtain such authorization prior to settlement. However, in the event that the faxed authorization has not been received prior to the settlement cut-off time, then the Investment Manager hereby expressly authorizes the Administrator to settle the trade in good faith.

This pre-approval will remain in force until such time as the Investment Manager notifies the Administrator in writing that the pre-approval is withdrawn.

Signed:

For and on behalf of the Investment Manager	For and on behalf of the Administrator
By:____________________	By: ____________________
Name:____________________	Name:____________________
Title:____________________	Title:____________________
Date:____________________	Date:____________________

Annex A – Authorised Short-Term Asset Counterparties [TBA]

COUNTERPARTY NAME	Short Term Rating	Long Term Rating
BANK DEPOSITS	**Short Term Rating**	**Long Term Rating**

Annex B – Standard Short-Term Asset Authorisation Form

The Investment Manager hereby authorises the following short-term asset trade by the Administrator for and on behalf of Cheyne Finance (Finance) PLC:

Trade Type: ______________________

Counterparty: ______________________

Trade Date: ______________________

Settlement Date: ______________________

Maturity date: ______________________

Term: ______________________

Notional: ______________________

Currency: ______________________

Rate: ______________________

Price: ______________________

Signed for and on behalf of the Investment Manager

By: ____

Name: ____

Title: ____

App. 4 Trading and Management Information Systems

1 System Basics

1.1 Overview EnSIS®

QSR has developed an advanced software tool for managing structured vehicles including SIVs. This system is called EnSIS® . EnSIS® is also supported by QSR. The system is constantly being updated to ensure it keeps ahead of the changing business needs.

QSR uses EnSIS® for the functionality of all its administration services, plus the system is available to remote third party managers via the internet for real-time reporting and analytics.

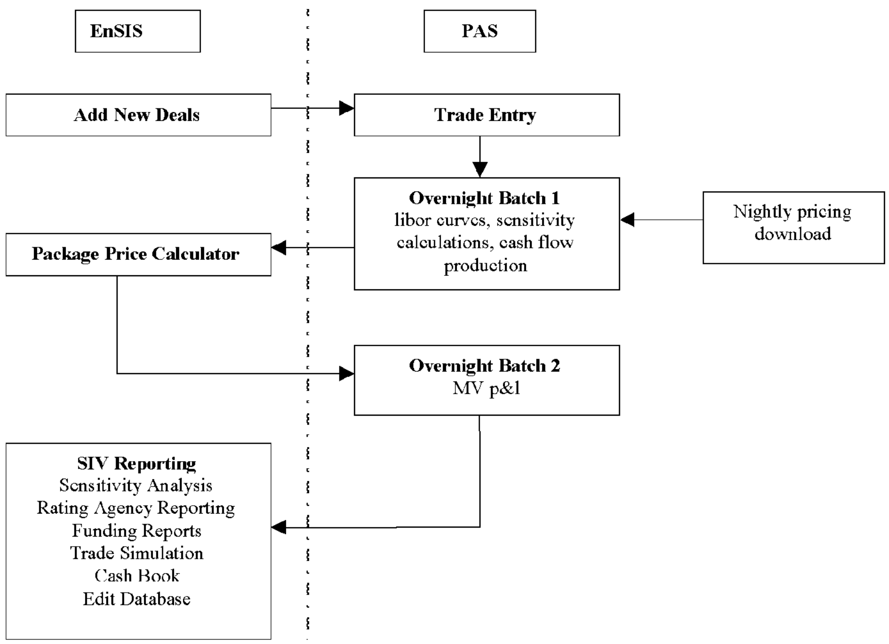
Functionality overview:-
1. Sensitivity analysis
2. Rating Agency Reporting
3. Trade Simulation (what-if)
4. Funding Reports
5. Pricing
6. Deal Information
7. Cash Book
8. Payment Instructions
9. Trade Entry
10. Internet Access
11. Web Site report interface
12. Reconciliation

N.B. Items 1, 2, 4 and 5b (above) are automatically run overnight in a process lasting approximately 5 hours.

1.2 Interface with the Trading System

EnSIS® is currently interfaced with a third party trading system – Principia Analytics System (PAS) which is the source of all trading and cashflow information and sensitivity calculations. All rating agency reporting and SIV management reporting is carried via EnSIS® .

The diagram below shows a simplified picture of the relationship between PAS and EnSIS® .



1.3 The Trading System

The Principia Analytics System ("PAS") is a trading system designed, as an integrated front and middle office tool, for managing fixed income securities and derivative contracts. It is an unified platform which can price and report on a broad spectrum of financial instruments in a real time environment using live data feeds. Pricing analytics used to value and hedge transactions are also used to value the portfolio for financial statements and risk reports. The pricing algorithms have then been applied consistently across all products so that the pricing and hedging are consistent from one product to another.

2 Trading System Functionality and Functionality

2.1 Market Environments. Market environments are used to define the elements by which an individual transaction or a portfolio of transactions are analysed. Accordingly, yield curves, volatility curves and the selection of calculation methodologies are defined at this level. Tools to analyse market data are incorporated into this part of PAS. Multiple market environments can be maintained for ease of analysis, for instance enabling the user to compare data from the live environment to the prior month end.

2.1.1 Yield curves can be built in multiple currencies using historical or live data. Any data element can be overridden by the user to create theoretical environments. The Trading System captures market closing prices and volatilities for a number of currency markets and can download this data at their option. Yield curves may also be updated in a "real-time" mode using live price feeds.

2.1.2 Volatility Term Structure for Interest Rates. Volatility is required to price any type of option or contingent claim. A term structure of volatility based on market inputs is provided within the Trading System default limits. These defaults can be overridden at this level, at the level of the individual transaction or at the portfolio level. Volatility can be expressed on a percentage basis, as an absolute number or on a square root basis.

2.2 Pricing Methodology. The Trading System supports a variety of options for constructing interest rate curves and volatility lattices to ensure that the pricing is consistent with market norms for fixed income instruments and derivative contracts.

2.2.1 Construction of Forward, Zero and Par Curves. The general technique used in curve generation is to construct the forward LIBOR curve directly from observed market benchmarks, and then to derive the zero and par coupon curves from the forward curve using standard analytic techniques. The forward curve is built using a "bootstrapping" technique which employs a sequence of benchmarks to construct successive segments of the forward curve. These benchmarks are selected from a universe composed of futures contracts, cash LIBOR rates, and all in swap rates. The forward curve thus constructed is the simplest constant curve which fits the benchmarks exactly. The curve is then subject to a global smoothing algorithm which is subject to the constraint of continuing to fit all the benchmarks. This process produces a curve of maximal smoothness in the sense of total variation.

Having once generated the forward curve (and as an immediate corollary the zero and par coupon curves) the pricing of non-contingent claims is straightforward. Each valuable, be it a swap or a bond, has a specific set of contractual cash flows. To derive its value, these cash flows are discounted using the zero curve.

2.3 Transaction/Portfolio Analysis. Once a market environment exists, an individual transaction (referred to as a "Valuable" in the Trading System nomenclature) or portfolio can be analyzed. Some of the components of the analytics capability are described below.

2.3.1 Portfolio Manipulation. Valuables can be analyzed individually or as part of a "Portfolio", including grouping into additional portfolios according to product type (e.g., inverse floaters, multi-steps, range floaters). Once a Valuable has been saved to the database, it can be independently retrieved in any customized Portfolio in which it has been saved.

2.3.2 Valuables. "Valuable" is the Trading System's nomenclature for a single element that can be analyzed in the System. A transaction could consist of just one Valuable such as a swap, a cap or floor or a swaption or multiple Valuables simply aggregated into a portfolio of Valuables ("Portfolio"). Several types of sensitivity analysis can be performed at the valuable level through a function called NPV (Override). This function allows the user to analyze the sensitivity of the valuable to a shift in interest rates, both a parallel or non-parallel shift, or a shift in volatility. This same analysis can also be performed at the portfolio level.

2.3.3 Calculations/Analyses. Calculations can be performed individually on any transaction in a Portfolio, or at any Portfolio level. In addition to standard net present value ("NPV") or hedge calculations there are several overrides that can be performed. This function allows the user to analyze the sensitivity of the value and hedge to a parallel or non-parallel shift in interest rates or a shift in volatility. Credit Analysis, a function which derives the potential future exposure, may be performed on a valuable or portfolio of valuables.

2.3.4 Hedge Portfolio Generation. The Trading System will derive the optimal interest rate hedge which results in minimal value drift for a band of interest rate shifts, it does this by generating the appropriate interest rate hedge using a set of default hedging instruments or by allowing the user to define the desired hedging tools (e.g., 10 years of Eurodollar futures, cash Treasuries, other swaps or options or any combination thereof).

2.4 Middle Office Control and Data

2.4.1 Trade Tickets

The Trading System produces a detailed trade ticket for each "live" transaction. All trade cancellations and corrections will generate trade tickets for audit trail purposes. The trade ticket contains all required information to produce a trade confirmation. Each ticket contains an area to collect trading, marketing, credit, operations and systems approvals.

2.4.2 Profit & Loss Report

This report generates summary and detailed profit and loss records for the specified time horizon. Profit and loss is calculated on a mark-to-market basis. Change in market value is separated from interest income. Market Value is broken down between hedge instruments and non-hedge instruments. To the extent valuables contain non-USD exposures, these valuables are reported in their native currency and in USDs translated at the current spot exchange rate. Interest income and capital gain are shown in their native currency summing up to a total Profit and Loss. USD Profit and Loss is then shown after making the appropriate translation adjustments. Included in this report is summary and detail information regarding cash movements, including an analysis of the sensitivity of the valuables to changes in foreign exchange rates.

2.4.3 Hedging Data

Data analyzing a portfolio of valuables with reference to a combination of pre-selected hedge valuables. After the chosen valuables are designated as the Hedge Universe, the Trading System derives the optimal mix of hedges using an algorithm which seeks to minimize value drift for the two portfolios over a band of interest rate shifts. The overall sensitivity of the portfolio to a one basis point parallel shift in rates is then displayed, enabling an assessment on the directional exposure of the portfolio.

2.4.4 Sensitivity Data

PAS currently performs three sensitivity analyses on a portfolio of valuables: i. a parallel yield curve or index shift, ii. an implied volatility shift and iii. a yield curve tilt. The appropriate sensitivity analysis can be structured by the user.

2.4.5 Yield Curve Shift

This is intended to shows the change in value of a portfolio caused by a (user-specified) parallel shift in interest rates. The increments or step sizes are pre-selected but they may be customized. In addition to the change in value, other statistics may be included which measure the sensitivity of the portfolio's value to a one basis point (.01-value) parallel shift in rates ("Delta"), the rate of change in the .01-value ("Gamma") and sensitivity comparisons to a benchmark instrument (e.g. a 5-Year Treasury).

2.4.6 Volatility Curve Shift

This data uses the same information as the yield curve shift but with the addition of implied volatility as the variable and applies pre-selected shifts.

2.4.7 Yield Curve Tilt

This is intended to shows the effect that a non-parallel shift in rates would have on a portfolio.

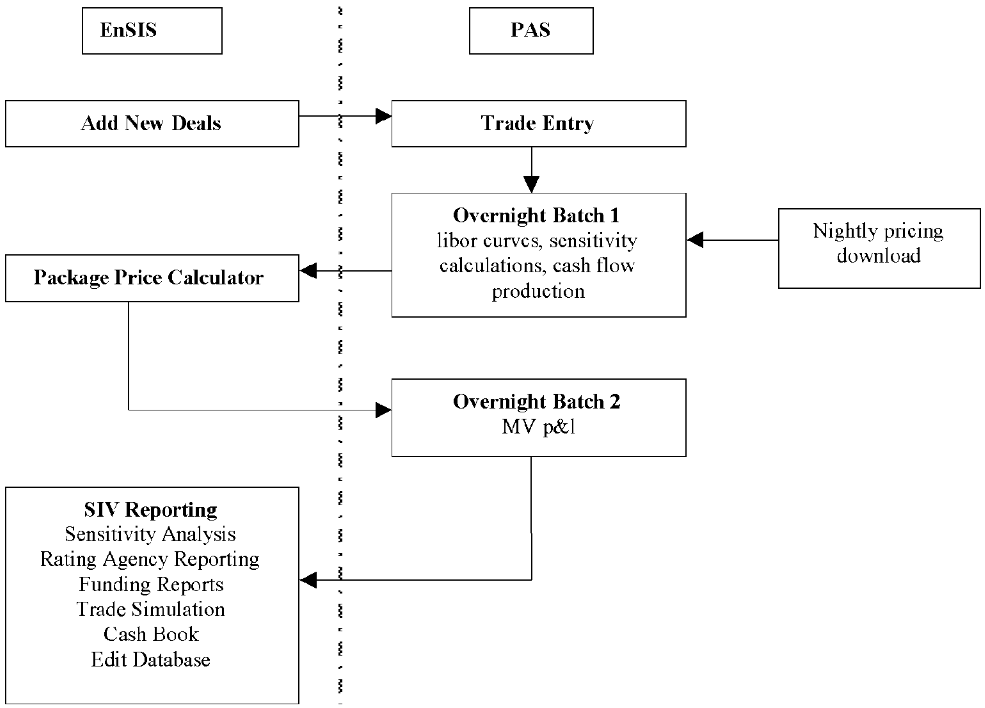
2.4.8 Cash Flow Data

The Trading System can provide a detailed breakdown of all the expected cash flows in the

portfolioThe cash flows are presented on a chronological basis for each valuable and are further classified as being upfront or interest payments.

2.4.9 Floating Rate Reset Data

The Trading System can provide dates, amounts and indices of floating rate resets for the valuables in a portfolio.



3 EnSIS® – The Core Modules

3.1 Sensitivity Analysis:

Sensitivity Analysis is run within the trading system and the raw data exported to EnSIS® overnight. As mentioned above, three sensitivity tests are performed: a parallel shift of the yield curve, a tilt of the yield curve and an analysis of FX movement relative to the USD. The results of these calculations are displayed in a format such that the user is able to view sensitivity arising by individual product, sub-portfolio, currency or across the portfolio as a whole. A day-on-day comparison is also available. In addition the calculation of unleveraged capital (Appendices 9&10) is partially reliant on the results of the sensitivity testing and the logic for this calculation is held within EnSIS® .

3.2 Rating Agency Reporting

The Rating Agency Reporting consists of 8 diversification tests, 2 capital tests and 2 liquidity tests.

Diversification tests look at the following:

1. Exposure to Credit Rating (Appendix 1)
2. Exposure to Issuer Group (Appendix 2)
3. Exposure to Geographic Region (Appendix 3)
4. Exposure to sectors within the ABS market (Appendix 4)
5. Calculation of largest exposures as measured against Net Assets (Appendix 5)
6. Calculation of largest exposures as measured against Senior Subordinated Net Assets (Appendix 6)
7. Maturity of each individual product (Appendix 7)
8. Weighted average maturity of the portfolio (Appendix 8)

The Capital tests look at the following:

1. Capital gearing at (i) senior level, (ii) senior subordinated level, (iii) on a product basis and (iv) on an overall portfolio basis, (Appendix 9)
2. Capital adequacy at (i) a senior level and (ii) a senior subordinated level (Appendix 10)

The Liquidity tests look at the following:

1. A Net Cumulative Outflow test ("NCO") is run on a one year rolling basis from current day extending out for the following twelve months; taking into account every cashflow occurring over that period and calculating the cumulative net cash outflows for each 1 day, 1 week, 2 week and 3 week periods (Appendix 11)

2. A long term NCO is produced – this is not an actual test but an information only report provided to the Rating Agencies. This analyses every cash flow occurring in the period commencing 12 months from current day and ending on the date equal to the longest maturity on either the asset or liability side of the balance sheet. The resulting report shows the three largest cash outflows occurring in each 1 day, 1 week, 2 week or 3 week period. – Appendix 12

The Rating Agency Reports are all produced in the same format with a summary level report for Rating Agency purposes and a detailed breakdown showing individual product information for management purposes

On a daily basis the Rating Agency reports undergo a comprehensive manual reconciliation, designed to explain any movement in the market value of the portfolio between one day and the next. Explanations for a change in market value may include the effect of: new deals, matured deals, changes in price, receipt of principal paydowns, interest coupons etc. Once the movement in market value has been fully reconciled, the Rating Agency reports will be approved within EnSIS® . All users have access to a Rating Agency Report Status screen, informing them of current stage within the approval process. It is important that the user is aware that the accuracy of reports cannot be guaranteed until they are formally approved. The timing of approval of reports also has a direct impact on any trading simulations run through the "what-if" function (described below).

3.3 Trading Simulations

Trading simulation is run via two windows within EnSIS® : a general "What-if" Screen and an NCO "What-if".

"What-if"
The general "what-if" screen is used for diversification testing and capital allocation on the asset side of the balance sheet. To run the simulation, the user is required to enter basic information on the proposed trade including: amount, price, factor, rating and Rating Agency tags. The simulation process works by measuring the changes effected by this hypothetical trade to the last set of approved Rating Agency reports. Resulting changes to Appendices 1-11 can be demonstrated by running simulations from this screen but it should be noted that the results of any Appendix 11 (NCO test) run from this screen relating to the purchase of a bond will remain unchanged, as the assumption is that the bond will be funded by a trade that matches the bond precisely thereby creating equal and opposite cashflows in respect of the NCO. The actual impact on Appendix 11, will be measured by running the NCO "What If".

NCO "What-if"
The NCO "what-if" is used solely to measure the impact of hypothetical trades on the NCO test (Appendix 11). Accordingly, it assesses the cashflow impact of raising finance, retiring existing debt or selling an existing asset. Simulations for the issuance or buyback of existing debt require the user to enter the type of funding (USCP, EMTN etc.), start dates, maturity dates and the amount of funding being issued or redeemed. In addition to testing in the case of liability issuance or redemption, this screen is also used for the proposed sale of an asset. Results of a hypothetical asset sale entered via the general "what-if" will automatically feed through into the NCO "what–if" screen thereby showing the user the impact on the NCO created by the principal inflow on the settlement date and thereafter removing the future expected cashflows from that asset from the date of the sale.

Master "What-if"
Individual "what-if" scenarios can be run simultaneously by multiple users. Each user however will only be able to view the results of their own hypothetical trades. Once a trade has been executed it will be moved from the individual user's "what-if" to the Master "What-if" and all future simulations then use the results of Master What-if as the base case, thereby ensuring capture of all intra-day trades.

The "What-if" function will ***only*** *look at data that has been approved. It is therefore imperative that the user understands that until the current reports are approved they will be looking at data that is* ***two*** *days old. The "what-if" screen is clearly marked to alert the user as to the date of the base data.*

3.4 Funding Reports

The Funding reports created in EnSIS® cover various areas included in management of the overall risk and liability profile of the portfolio:

1. Funding Requirements
2. Funding Performance
3. Liquid Asset Management
4. NCO Headroom

Funding Requirements
These reports show in detail any daily requirements to raise or invest funds. Each funding requirement is shown with trade date, settlement date and maturity date information and a list of all products being refinanced.

Funding Performance
This report shows each of the debt funding programs and outlines the cost of issuance of each individual piece of paper and the average cost applicable to each program. In addition it also contains a summary which details the funding costs (both "headline" and "all-in") at a portfolio level.

Liquid Asset Management
Management of the liquid asset balance is a key part of NCO management. These reports list all assets which have been classified as liquid or additional liquid assets and in addition alert the user as to the expiry date of the liquid asset buffer. The liquid asset buffer is defined as the excess of liquid assets over the amount required for NCO purposes

NCO Headroom
The NCO Headroom report allows the user to size additional levels of cash outflow that could be sustained on any specific date in the future

3.5 Pricing

The pricing module within EnSIS® allows: (i) accurate calculation and tracking of all prices within the portfolio, (ii) the pricing of fixed income securities and derivative contracts to be linked in order that a movement in the price of a derivative contract can be taken into account when calculating the price of any associated fixed income security, (iii) different pricing methodologies for assets and liabilities and (iv) listings of all brokers and their contact details.

Linked trades which require inclusion of both a fixed income security and a derivative contract to perform the pricing calculation are known as "packages".

Asset prices. Prices for assets can be entered in the form of decimals or 32nds and as bond prices or package prices. Bond prices are sourced directly from market sources and are manually entered into EnSIS® once a week. The Investment Manager has the authority to set a tolerance limit within EnSIS® and any price movement falling outside this limit will be logged and prior to acceptance in the system, will require a written explanation from the entering user. The user can also select whether a price should be accepted immediately or be held until a specific date.

Liability prices. All commercial paper is priced on a nightly basis directly from the LIBOR curve. The pricing methodology for long term liabilities is to price at par plus or minus unamortised discount or premium. In the case of a liability that is linked to a derivative and therefore in a package the "package" will be priced at par plus or minus unamortised premium or discount and the bond price will be calculated with reference to the attached swap.

Derivative prices. All derivatives are priced on a nightly basis directly from the LIBOR curve.

Broker details. All contact details for brokers who have sold bonds (or agreed to provide pricing data) are kept within EnSIS®

3.6 Deal Information

The Deal Information screen is a central reference point for current and historical data on all products held within the database (both live and matured). *Inter alia*, it shows sub-portfolio data, notional, current price, original purchase price, market value, and counterparty information. In addition there is a drop-down menu allowing the user to see P&L data, credit rating data, sensitivity data and amortisation schedule graphics.

3.7 Cash Book

The cash book module comprises:

1. The cash book
2. The cash reconciliation
3. The payments report

Cash Book – this section contains monthly cash flow information starting with an opening balance at the beginning of the month, all expected cashflows during the month and a closing daily balance. The user has the ability through an adjustment screen to change intra-month cash amounts, to add intra-day trades and through a prior period adjustment screen to make changes relevant to any months for which the cash book has now been closed. Cash books are closed for accounting purposes [5] days after month end.

Cash Reconciliation – this section allows the user to reconcile the closing cash balance as per the cash book in EnSIS® with the bank statement on a daily basis. This screen shows all unreconciled amounts sorted by principal, interest and other categories. Reconciled amounts are removed from this report

Payments Report – certain daily payments require manual payment instructions to be created and entered into the relevant cash, custody and paying agency terminals. This report shows those payments requiring which manual instructions, and logs their progress, thereby recording its instruction, confirmation and finally, processing.

Edit database - edits are changes made to information held either within the Trading System or EnSIS® after trade date. The edit database provides (i) an audit trail log of all changes, together with, (ii) an explanation of why the change has been made and (iii) a record of the date of change and author. Examples of edits may include a change to an amortisation schedule or the correction of a tag. A history of all edits to each product held in the portfolio is available on the deal information screen.

4 Hardware Configuration

4.1 EnSIS®

The EnSIS® application is a Windows based SIV risk management system. The application utilises the Microsoft SQL Server 2000 platform.

4.2 The Trading System: Principia Analytic System (PAS)

The trading environment is provided by Principia Partners' PAS system. The PAS application runs on the Sun Solaris operating system and uses Informix as a database platform. The user interface to PAS is via a X-Windows capable terminal emulation package running on a standard Windows PC.

4.3 Network

A TCP/IP based network supporting several servers provides connectivity. The servers provide a number of functions including file storage, print management and database hosting.

4.4 PC's

All applications are presented to users via standard Windows compatible PC's of various specifications.

App. 5 Liquidity Loan Agreement
to be inserted

App. 6 ISDA Schedule Standard Form

MULTICURRENCY - CROSS BORDER

SCHEDULE

to the

Master Agreement

dated as of ____________________

between

CHEYNE FINANCE (FINANCE) PLC
("Party A")

and

____
("Party B")

Part I.

Termination Provisions

In this Agreement:-

A. **"Specified Entity"** means in relation to Party A for the purpose of:-

Section 5(a)(v), Not Applicable
Section 5(a)(vi), Not Applicable
Section 5(a)(vii), Not Applicable
Section 5(b)(v), Not Applicable

in relation to Party B for the purpose of:-

Section 5(a)(v), **[SPECIFY IF APPLICABLE]**
Section 5(a)(vi), **[SPECIFY IF APPLICABLE]**
Section 5(a)(vii), **[SPECIFY IF APPLICABLE]**
Section 5(b)(iv), **[SPECIFY IF APPLICABLE]**

B. **"Specified Transaction"** will have the meaning specified in Section 14 of this Agreement unless another meaning specified here:- No change from Section 14.

C. The "Failure to Pay or Deliver" provisions of Section 5(a)(i) will apply to Party A and will apply to Party B. †

D. The "Breach of Agreement" provisions of Section 5(a)(ii) will not apply to Party A and will not apply to Party B. †

E. The "Credit Support Default" provisions of Section 5(a)(iii) will not apply to Party A and will apply to Party B. †

F. The "Misrepresentation" provisions of Section 5(a)(iv) will not apply to Party A and will not apply to Party B. †

G. The "Default under Specified Transaction" provisions of Section 5(a)(v) will not apply to Party A and will apply to Party B. †

H. The "Cross Default" provisions of Section 5(a)(vi) will not apply to Party A and will apply Party B. †

If such provisions apply:-

"Specified Indebtedness" means, instead of the definition thereof in Section 14 of this Agreement with respect to Party B, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money, and any Hedging Transaction. In this context "Hedging Transaction" means any rate swap, basis swap, forward rate transaction, repurchase transaction, reverse repurchase transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, any option or future in relation to any security or basket of securities or index, any bond option, interest rate option, foreign exchange transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions). For the purpose of Section 5(a)(vi)(1):-

(a) any reference to Specified Indebtedness becoming, or becoming capable of being declared, due and payable shall, in the case of Specified Indebtedness which is a Hedging Transaction, be deemed to be a reference to Specified Indebtedness being, or becoming capable of being, terminated by the other party to such Hedging Transaction; and

(b) in determining the amount to be included in "Threshold Amount" with respect to Specified Indebtedness which is a Hedging Transaction, the settlement value of such Hedging Transaction shall be used or, if it is not available, the Non-defaulting Party shall determine the settlement amount of such Hedging Transaction in good faith on the basis of the information available to it.

"Threshold Amount" means, in respect of Party B, U.S. $10,000,000 or its equivalent in other currencies.

I. The "Bankruptcy" provisions of Section 5(a)(vii) will apply to Party A and will apply to Party B. †
J. The "Merger without Assumption" provisions of Section 5(a)(viii) will apply to Party A and will apply to Party B. †
K. The "Illegality" provisions of Section 5(b)(i) will apply to Party A and will apply to Party B. †

L. **The "Tax Event" provisions of Section 5(b)(ii) will not apply to Party A but will apply to Party B. †**

M. **The "Tax Event Upon Merger" provisions of Section 5(b)(iii) will not apply to Party A but will apply to Party B. †**

N. **The "Credit Event Upon Merger" provisions of Section 5(b)(iv) will not apply to Party A and will apply to Party B. †**

O. **The "Automatic Early Termination" provision of Section 6(a) will not apply to Party A or to Party B. †**

P. **Payments on Early Termination.** For the purposes of Section 6(e) of this Agreement:-

(i) **Market Quotation will apply. †**

(ii) **The Second Method will apply. †**

Q. **"Termination Currency"** means United States Dollars.

R. **Additional Termination Events** will apply. **Except as provided in the applicable Confirmation with respect to a Transaction, the following shall constitute Additional Termination Events:-**

<u>Enforcement Event</u>. The occurrence of an Enforcement Event (as defined in the Security Agreement). For purposes of this Additional Termination Event, Party A shall be deemed to be the Affected Party, except that for the purposes of Section 6(b)(iv), Party B shall be deemed to be the Affected Party and (ii) notwithstanding the definition contained in Section 14, "Affected Transactions" means each Transaction specified as such in any notice given by Party A pursuant to Section 6(b)(iv). Any Early Termination Date designated upon the occurrence of this Additional Termination Event may be designated with respect to all or a part of each Affected Transaction. †

<u>Rating Downgrade</u>. Party B or, as applicable, the Credit Support Provider of Party B ceases to maintain a financial program, counterparty or similar rating of at least "A-/A-1+" from Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. ("Standard & Poor's") or "Aa3"/P-1 from Moody's Investors Services, Inc. ("Moody's"). For purposes of this Additional Termination Event, Party B shall be the Affected Party. †

Upon the occurrence of either of the foregoing Additional Termination Events, either party if there is more than one Affected Party or the party which is not the Affected Party if there is only one Affected Party may, within five days following the occurrence of such Additional Termination Event, by not more than 20 days notice to the other party and provided that the relevant Additional Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

In connection with any termination pursuant to either of the foregoing Additional Termination Events, for purposes of determining the Settlement Amount, the "Market Quotation" of a Terminated Transaction (which may be positive or negative) shall be the amount determined by the Calculation Agent in good faith and pursuant to industry standards to be the mid-market value of the Transaction as of 11:00 a.m. (local time) in

the relevant market on the Early Termination Date. If Party A disputes the Calculation Agent's determination of the mid-market value of the Transaction, such mid-market value shall be determined pursuant to industry standards on the basis of quotations from Reference Market-makers. †

Notwithstanding anything in Section 6(e) to the contrary, an amount calculated as being due in respect of an Early Termination Date in respect of an Affected Transaction due to any of the foregoing Additional Termination Events will be payable (i) with respect to the occurrence of an Additional Termination Event as set forth above under "Enforcement Event", (A) if such amount is payable by Party A, on the next succeeding Party A Payment Date for such Affected Transaction following the Realization Period (as defined in the Security Agreement) or (B) if such amount is payable by Party B, on the next succeeding Party B Payment Date for such Affected Transaction following the Realization Period, in each case, which would have applied if such Early Termination Date had not been declared, and (ii) with respect to the occurrence of the other foregoing Additional Termination Event, in accordance with Section 6(d)(ii). In each case, such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. †

S. **Enforcement Events. Upon the occurrence of an Event of Default in respect of which Party A is the Defaulting Party, Party B shall be entitled to direct [The Bank of New York], in its capacity as security trustee under the Security Agreement, dated as of [•, 2005] (the "Security Agreement"), between Party A and [The Bank of New York], to enforce the security constituted by the Security Agreement. †**

Part II.

Tax Representations

A. **Payer Representations.** For the purpose of Section 3(e) of this Agreement, Party A will make the following representation and Party B will make the following representation:-

> It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, *provided* that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

B. **Payee Representations.** For the purpose of Section 3(f) of this Agreement, Party A and Party B make the following representations specified below:-

1. The following representation will not apply to Party A and **will/will not** apply to Party B:-

   It is fully eligible for the benefits of the "Business Profits" or "Industrial and Commercial Profits" provision, as the case may be, the "Interest" provision or the "Other Income" provision (if any) of the Specified Treaty with respect to any payment described in such provisions and received or to be received by it in connection with this Agreement and no such payment is attributable to a trade or business carried on by it through a permanent establishment in the Specified Jurisdiction.

If such representation applies, then:-

"Specified Treaty" means in relation to Party A, ...

"Specified Jurisdiction" means in relation to Party A, ...

"Specified Treaty" means in relation to Party B, ...

"Specified Jurisdiction" means in relation to Party B, ...

2. The following representation will not apply to Party A and **will/will not** apply to Party B:-

   Each payment received or to be received by it in connection with this Agreement will be effectively connected with its conduct of a trade or business in the Specified Jurisdiction.

If such representation applies, then:-

"Specified Jurisdiction" means with respect to Party A, ...

"Specified Jurisdiction" means with respect to Party B, ...

3. The following representation will not apply to Party A and **will/will not** apply to Party B:-

   (A) It is entering into each Transaction in the ordinary course of its trades as, and is, either (1) a recognized U.K. bank or (2) a recognized U.K. swaps dealer (in either case (1) or (2), for purposes of the United Kingdom Inland Revenue extra statutory concession C17 on interest and currency swaps dated March 14, 1989), and (B) it will bring into account payments made and received in respect of each Transaction in computing its income for United Kingdom tax purposes.

4. Other Payee Representations:- None.

Part III.

Documents to be delivered

For the purposes of Section 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents as applicable:-

(a) Tax forms, documents or certificates to be delivered are:- None.

(b) Other Documents to be delivered are:-

{PRIVATE }**Party Required to Deliver Document**	**Form/Document/ Certificate**	**Date by which to be Delivered**	**Covered by Section 3(d) Representation**
Party A.	Annual audited financial statements prepared in accordance with International Accounting Standards.	Promptly after request.	Yes.
Party B.	Annual audited financial statements prepared in accordance with generally accepted accounting principles in the country in which Party B is organized.	Promptly after request.	Yes.
Party B.	Semi-annual audited financial statements prepared in accordance with generally accepted accounting principles in the country in which Party B is organized.	Promptly after request.	Yes.
Party A.	Quarterly composition report.	Promptly after request.	Yes.

{PRIVATE }**Party Required to deliver Document**	**Form/Document/ Certificate**	**Date by which to be Delivered**	**Covered by Section 3(d) Representation**
Party B.	A duly executed copy of any Credit Support Document specified in Part 4 of the Schedule.	At or promptly following the execution hereof.	Yes.
Party A/Party B.	Certified resolution adopted by the Board of Directors of such	At or promptly following the execution hereof.	Yes.

	party authorizing the execution and delivery of this Agreement and the performance of its obligations hereunder.		
Party A/Party B.	Certificate or other documents evidencing the authority of the party entering into this Agreement or a Confirmation, as the case may be.	At or promptly following the execution of this Agreement, and, if a Confirmation so requires it on or before the date set forth therein.	Yes.
Party A.	Opinion of counsel in form and substance acceptable to Party B.	At or promptly following the execution of this Agreement, and, if a Confirmation so requires it, on or before the date specified therein.	No.
Party B.	Opinion of counsel in form and substance acceptable to Party A.	At or promptly following the execution of this Agreement, and, if a Confirmation so requires it, on or before the date specified therein.	No.
Party B.*	Opinion of counsel with respect to Party B's Credit Support Provider in form and substance acceptable to Party A.	At or promptly following the execution of this Agreement, and, if a Confirmation so requires it, on or before the date specified therein.	No.

*-Delete if inapplicable.

Part IV.

Miscellaneous

(a) **Addresses for Notices:-** For the purpose of Section 12(a) of this Agreement:-

Address for notices or communications to Party A:-

Address: c/o QSR Management Limited
One Canada Square
London E14 5AA

Attention: Documentation
Facsimile No.: +44 020 7964 6622 Telephone No.: +44 020 7964 5200

(For all purposes)

Address for notices or communications to Party B:-

Address:
Attention:
Telex No.: Answerback:
Facsimile No.: Telephone No.:

(For all purposes/Only with respect to Swap Transactions through this Office*)

Address:
Attention:
Telex No.: Answerback:
Facsimile No.: Telephone No.:

(Only with respect to Transactions through this Office)

---

*Delete as applicable

(b) **Process Agent**. For the purpose of Section 13(c):-

Party A appoints as its Process Agent: CSC, 1633 Broadway, New York, New York 10019

Party B appoints as its Process Agent: **[SPECIFY]**

(c) **Offices**. The provisions of Section 10(a) will apply to this Agreement.

(d) **Multibranch Party**. For the purpose of Section 10(c) of this Agreement:-

Party A is not a Multibranch Party.

Party B is/is not* a Multibranch Party and, if so, may act through the following offices:- **[SPECIFY]**

(e) **Calculation Agent**. The Calculation Agent is Party B, unless otherwise specified in a confirmation in relation to the relevant Transaction.

(f) **Credit Support Document**. Details of any Credit Support Document:-

Party A:- Not Applicable

Party B:- **[SPECIFY IF APPLICABLE]**

(g) **Credit Support Provider**.

Credit Support Provider means in relation to Party A, Not Applicable

Credit Support Provider means in relation to Party B, **[SPECIFY IF APPLICABLE]**

(h) **Governing Law**. **This Agreement will be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine. †**

(i) **Netting of Payments**. Subparagraph (ii) of Section 2(c) of this Agreement will not apply to all Transactions under this Agreement.

(j) **"Affiliate"** will have the meaning specified in Section 14 of this Agreement.

(k) **General Conditions.** Subparagraph (iii) of Section 2(a) of the Agreement is amended by the deletion of the words "or Potential Event of Default."

Part V.

Other Provisions

(1) Section 3 of the Agreement is hereby amended by adding at the end thereof following subsection (f):-

> (g) This Agreement and each Transaction constitutes a "swap agreement" within the meaning of the U.S. Commodity Futures Trading Commission ("CFTC") Regulations Section 35.1(b)(1).
>
> (h) It is an "eligible swap participant" within the meaning of CFTC Regulations Section 35.1(b)(2).
>
> (i) Neither this Agreement nor any Transaction is one of a fungible class of agreements that are standardized as to their material economic terms, within the meaning of CFTC Regulations Section 35.2(b).
>
> (j) The creditworthiness of the other party was or will be a material consideration in entering into or determining the terms of this Agreement and each Transaction, including pricing, cost or credit enhancement terms of the Agreement or Transaction, within the meaning of CFTC Regulations Section 35.2(b).
>
> (k) It has entered into this Agreement (including each Transaction evidenced hereby) in conjunction with its line of business (including financial intermediation services) or the financing of its business."

(2) **Notwithstanding the provisions of Section 7, Party A may assign and delegate its rights and obligations under any Transaction to any subsidiary of Party A meeting the requirements of Section [•] of the Security Agreement, effective upon delivery by Party A to Party B of a guarantee of the obligations of such subsidiary. †**

(3) **Without affecting the provisions of this Agreement requiring the calculation of certain net payment amounts, all payments under this Agreement will be made without setoff or counterclaim. †**

(4) If by reason of the time difference between the cities in which payments are to be made, it is not possible for simultaneous payments to be made on any date on which both parties are required to make payments hereunder, either party may at its option and in its sole discretion notify the other party that payments on that date are to be made in escrow. In this case deposit of the payment due earlier on that date shall be made by 2:00 p.m. (local time at the place for the earlier payment) on that date with an escrow agent selected by the notifying party, accompanied by irrevocable payment instruction (i) to release the deposited payment to the intended recipient upon receipt by the escrow agent of the required deposit of the corresponding payment from the other party on the same date

accompanied by irrevocable payment instructions to the same effect or (ii) if the required deposit of the corresponding payment is not made on that same date, to return the payment deposited to the party that paid it in escrow. The party that elects to have payments made in escrow shall pay the costs of the escrow arrangements and shall cause those arrangements to provide that the intended recipient of the payment due to be deposited first shall be entitled to interest on that deposited payment for each day in the period of its deposit at the rate offered by the escrow agent for that day for overnight deposits in the relevant currency in the office where it holds that deposited payment (at 11:00 a.m. local time on that day) if that payment is not released by 5:00 p.m. local time on the date it is deposited for any reason other than the intended recipient's failure to make the escrow deposit it is required to make hereunder in a timely fashion. Any escrow agent selected by either Party A or Party B must be an independent, unaffiliated financial institution the long-term unsecured and otherwise unsupported obligations of which are rated at least ["AA-"] by Standard & Poor's.

(5) Party B acknowledges and agrees that (i) Party A is acting solely in the capacity of an arm's-length contractual counterparty, with respect to this Agreement and any Transaction hereunder, (ii) Party A is not acting as a financial advisor or fiduciary of Party B (or in any similar capacity) with respect to this Agreement and any Transaction hereunder and (iii) any advice given by Party A or in connection with this Agreement or any Transaction is and will be merely incidental to the provision of Party A's services hereunder and does not and will not serve as a primary basis of any investment decision by Party B. Party B represents to Party A (which representation shall be deemed to be repeated by Party B on each date on which a Transaction is entered into) that its decision to enter into each Transaction has been based solely on the independent evaluation of Party B and its representatives.

(6) Party A acknowledges and agrees that (i) Party B is acting solely in the capacity of an arm's-length contractual counterparty, with respect to this Agreement and any Transaction hereunder, (ii) Party B is not acting as a financial advisor or fiduciary of Party A (or in any similar capacity) with respect to this Agreement and any Transaction hereunder and (iii) any advice given by Party B or in connection with this Agreement or any Transaction is and will be merely incidental to the provision of Party B's services hereunder and does not and will not serve as a primary basis of any investment decision by Party A. Party A represents to Party B (which representation shall be deemed to be repeated by Party A on each date on which a Transaction is entered into) that its decision to enter into each Transaction has been based solely on the independent evaluation of Party A and its representatives.

(7) Each party hereby irrevocably waives any and all right to trial by jury in any suit, action or proceedings arising out of or relating to this Agreement or any Transaction and acknowledges that this waiver is a material inducement to the other party's entering into this Agreement.

(8) The parties hereto agree that each may electronically record all telephonic conversations between them and that any such recordings may be submitted in evidence to any court or in any Proceedings for the purpose of establishing any matters pertinent to any Transaction.

(9) Transactions shall be subject to the customs and practices observed generally in transactions in the interbank over the counter derivative markets, except to the extent inconsistent with the express terms of this Agreement and the Confirmation specifying the terms of a Transaction.

(10) In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, such provisions shall be severed from this Agreement, and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

(11) All payments to be made hereunder in respect of Transactions shall be made in accordance with standing payment instructions provided by the parties (or as otherwise specified in a Confirmation).

(12) This Schedule is proprietary and confidential to Party A and may not be duplicated, disclosed to third parties or used for any purpose not expressly authorized by Party A, except that Party B may disclose the provisions hereof to the extent such disclosure is required (i) by any regulatory body having jurisdiction over Party B, (ii) pursuant to a subpoena or order issued by a court of competent jurisdiction or by a judicial or administrative or legislative body or committee or otherwise by law or (iii) in connection with any audit of Party B's business. †

(13) Party B by entering into this Agreement agrees that the obligations of Party A hereunder and under each Confirmation shall be payable solely as provided for in the Security Agreement and that Party B shall not look to any other property or assets of Party A in respect of such obligations. †

(14) Except in the case that such proceedings have been previously commenced with respect to Party A in accordance with applicable law by persons other than Party B, Party B by entering into this Agreement hereby covenants and agrees that, prior to the date which is one year and one day after all securities issued by Party A have been paid it will not at any time institute against Party A, or join in any institution against Party A of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any applicable bankruptcy or similar law in connection with any obligations hereunder. †

(15) Party A and Party B acknowledge that Party B shall be a ["Secured Derivative Counterparty"] for purposes of the Security Agreement. †

(16) Notwithstanding the provisions of Section 7 of the Agreement, Party B acknowledges that it has been notified of the pledge, assignment, transfer, conveyance and grant by Party A to the Security Trustee pursuant to the Security Agreement of all of Party A's right, title and interest hereunder and Party B hereby consents to such pledge, assignment, transfer, conveyance and grant. †

† Term cannot be varied or excluded

App. 7 Repo Annex Standard Form

[To be updated]

ANNEX I
PART 1
Supplemental Terms or Conditions

Paragraph references are to paragraphs in the Agreement.

1. **The following elections shall apply:**

(a) Paragraph 1. Buy/Sell Back Transactions may be effected under this Agreement, and accordingly Annex III will apply.

(b) Paragraph 1. Agency Transactions may be effected under this Agreement, and accordingly Annex IV will apply.

(c) Paragraph 2 (c). The Base Currency shall be; in the case of Party A, United States Dollars; in the case of Party B, United States Dollars.

(d) Annex VIII (Net Paying Securities) will apply.

(e) The securities in a Transaction may include Italian bonds and accordingly Annex IX will apply.

(f) Paragraph 2(1). Party A's and Party B's Designated Offices are;[ ]And

Cheyne Finance (Finance) PLC
2nd Floor
11-12 Warrington Place
Dublin 2
Ireland

(g) Paragraph 2(y). The Market Value of the Securities will be calculated using the following methods:(i) by reference firstly to Bloomberg, secondly to Reuters, or finally to Telerate. If no price can be ascertained from the above pricing sources, then (ii)market quotations will be sought and a Market Value will be assigned to the Securities on the basis of quotations from three Reference Market-makers. Such value will be based on the arithmetic mean of the three offered quotations. "Reference Market-makers" means leading dealers in the relevant market agreed by both parties at the time of the Transaction. In the event, that the value remains undetermined, then finally - (iii)a Market Value will be assigned to the Securities by mutual agreement of the Parties.

(h) Paragraph 2(kk). Spot Rate to be as specified in 2 (kk).

(i) Paragraph 3(b). Party A to deliver Confirmation.

(j) Paragraph 4(f). Interest rate on Cash Margin to be the arithmetic mean of the overnight offered rates quoted on "LIBO" as appears on Reuters; or a rate as otherwise agreed between the parties. Interest is to be payable upon redelivery of the Cash Margin.

(k) Paragraph 4(g). Margin Transfers will take the form of Cash Margins only, with the notice period for margin calls to be:(i)For UK based trades (and all ot

(ii)For US based trades –By 12:00 p.m. New York time for next day settlement

2. The following supplemental terms and conditions shall apply:

(a) All Repurchase Transactions and Buy/Sell Back Transactions entered into by the parties prior to this Agreement which are outstanding at the date of the Agreement, shall be deemed to be entered into pursuant to the Agreement and shall be governed by its terms.†

(b) The Non-Defaulting may elect to offset payments due it under the Agreement against, and apply such payments to the satisfaction of, any obligations owing by the Defaulting Party (or its offices or branches) to the Non-Defaulting Party or any of the Non-Defaulting Party's subsidiaries (or in, either case, its offices or branches) under the Agreement whether or not such obligations are then due, and it is a condition precedent to the Non-Defaulting Party's obligations to make any such payments that such obligations of the Defaulting Party shall have been paid in full or satisfied by offset as contemplated hereunder; provided, however, that the Non-Defaulting Party shall have no right of set-off or counterclaim in respect of any other transactions between the parties. †

(c) Except in the case that such proceedings have been previously commenced with respect to the Party B in accordance with applicable law by persons other than Party A, Party A hereby covenants and agrees that, prior to the date which is one year and one day after all securities issued by Party B have been paid, it will not at any time institute against Party B, or join in the institution against Party B of, any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings, or other proceedings under any applicable bankruptcy or similar law in connection with any obligation hereunder. †

(d) Party A agrees that any and all obligations of Party B under this Agreement will constitute Senior Obligations (as defined in the Security Agreement) and will be subject to the provisions of the Security Agreement relating to Senior Obligations. "Security Agreement" means the Security Agreement dated as of [the Closing Date] among Party B, [The Bank of New York], as Security Trustee, and [The Bank of New York], as Custodian, as amended. †

(e) Notwithstanding any other provision of this Agreement, Party A shall have no recourse to Party B or any of its assets other than:(i)Securities which Party B sells to P (ii)Amounts payable by Party B in respect of Senior Obligations under Section [6.02, 6.03 or 6.04] of the Security Agreement. †

(f) If either party or, as applicable, its Credit Support Provider, ceases to maintain a financial program, counterparty or similar rating of at least "A-1" for short-term unsecured debt from Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. ("Standard & Poor's") and at least "P-1" for short-term unsecured debt from Moody's Investors Service, Inc. ("Moody's") – that party being the affected party –then a party may by written notice to the affected party, accelerate the Repurchase Date to any Business Day within five (5) Business Days of the date of the notice. †

†Per Rating Agency criteria: Term cannot be materially varied or excluded.

App. 8 Standard & Poor's Detailed Termsheet

12 July 2005

Cheyne Finance Termsheet

Termsheet Overview

Index

Appendices

I. General Transaction Terms

Overview	Cheyne Finance Plc ("Cheyne Finance") is a Structured Investment Vehicle ("SIV") which will be managed by Cheyne Capital Management Limited ("Cheyne Capital"). Cheyne Finance will invest in a portfolio of highly-rated cash and synthetic ABS securities and enter into financing arrangements. The Investment Portfolio (as defined below) will be accumulated in accordance with agreed investment and portfolio parameters and the underlying Investments (as defined below) will be 'marked to market' on a regular basis. Cheyne Finance will issue Debt Obligations (as defined below) into Non-U.S. jurisdictions with (i) Capital Notes being sold to Cheyne Finance Capital Notes LLC, a wholly owned subsidiary of Cheyne Finance and (ii) Senior Debt Obligations being sold to Cheyne Finance LLC, also a wholly owned subsidiary of Cheyne Finance. Cheyne Finance Capital Notes LLC will issue U.S. Capital Notes to U.S. Investors and Cheyne Finance LLC will issue U.S. Senior debt Obligations to U.S. Investors.
Non-U.S. Issuance Overview	Cheyne Finance will issue in non-U.S. jurisdictions in bearer form: a) commercial paper (the "CP"); b) medium term notes (the "MTN" and, together with the CP, the "Senior Debt Obligations"); and c) one or more series or classes of longer-term, subordinated notes, namely, the "Senior Capital Notes", the "Mezzanine Capital Notes" and the "Junior Capital Notes" (together, the "Capital Notes" and, together with the Senior Debt Obligations, the "Debt Obligations"). Cheyne Finance will invest the net proceeds from the issuance of the Debt Obligations primarily in Structured Finance Securities and also in other Investments which satisfy the Investment Purchase Criteria approved by the Rating Agencies.
U.S. Senior Debt Obligation Issuance Overview	Cheyne Finance LLC will issue in the United States in registered form: a) commercial paper ("U.S.CP"); and b) medium term notes ("U.S.MTN" and, together with the U.S.CP, the "U.S. Senior Debt Obligations"). Cheyne Finance LLC will purchase Senior Debt Obligations, via a note purchase arrangement, from Cheyne Finance. Cheyne Finance LLC will match issue registered U.S. Senior Debt Obligations on a pass-through basis, secured on the Senior Debt Obligations owned by Cheyne Finance LLC (the "Underlying Senior Debt Obligations")
U.S. Capital Note Issuance Overview	Cheyne Finance Capital Notes LLC will issue in the United States, in registered form, one or more series or classes of longer-term, subordinated notes, namely, the "U.S. Senior Capital Notes", the "U.S. Mezzanine Capital Notes" and the "U.S. Junior Capital Notes" (together, the "U.S. Capital Notes" and, together with the U.S. Senior Debt Obligations, the "U.S. Debt Obligations"). Cheyne Finance Capital Notes LLC will purchase Capital Notes, via a note purchase arrangement, from Cheyne Finance. Cheyne Finance Capital Notes LLC and will match issue registered U.S. Capital Notes on a pass-through basis, secured on the Capital Notes owned by Cheyne Finance LLC (the "Underlying Capital Notes" and, together with the Underlying Senior Debt Obligations, the "Underlying Assets").
Issuer	Cheyne Finance PLC ("Cheyne Finance" or "Issuer"), a bankruptcy remote public limited company incorporated in Ireland.

U.S. Issuers	Cheyne Finance Capital Notes LLC, a wholly owned limited liability company incorporated in Delaware. Cheyne Finance LLC, a wholly owned limited liability company incorporated in Delaware. The U.S. Debt Obligations will be eligible for purchase by certain United States investors. All the proceeds from the issuance of the U.S. Debt Obligations will be used to purchase the Underlying Assets which will be used as collateral for the U.S. Debt Obligations.
Programme Size	Initially, up to [$20,000,000,000] aggregate principal amount of Debt Obligations may be outstanding at any one time. This principal amount may be increased in agreement with the Rating Agencies.
Closing Date	[August 2005] the "Closing Date" or "Closing".
Investment Portfolio	The portfolio of Cash Investments and Synthetic Investments (together, the "Investments") to which the Issuer has exposure, shall comprise the Investment Portfolio, which will include only Eligible Investment Types as outlined below and includes Ineligible Investments.
Cash Investments	Cash Investments are Investments which the vehicle purchases in cash form including CDS Collateral. The sum of all Cash Investments equals the Cash Investment Portfolio.
Synthetic Investments	Synthetic Investments are Investments to which the vehicle has taken synthetic exposure through the writing of Credit Default Swap Contracts or Total Return Swaps. See Synthetic Investments Section XI for details.
Debt Obligations	All CP, MTN and Capital Notes issued by Cheyne Finance. Details of the Debt Obligations are set out below in Appendix A (Senior Debt Obligation Termsheet) and Appendix B (Terms and Conditions of the Capital Notes). The Capital Notes will initially be floating rate and issued in U.S. Dollars only. Non-U.S. Dollar and/or fixed rate issuance of Capital Notes would only be made subject to Rating Agency Approval and with applicable changes to the various tests and processes detailed herein.
Capital Notes	Initially, two tranches of Capital Notes will be issued, Mezzanine Capital Notes and Junior Capital Notes. A third form of Capital Note, Combination Capital Notes (which are a repackaging of the Mezzanine Capital Notes and the Junior Capital Notes) will also be issued at Closing. A further tranche of Capital Notes, Senior Capital Notes may be issued post Closing, subject to Rating Agency Approval.
Senior Debt Obligations	All CP and MTN issued by Cheyne Finance.
Senior Funding	Shall included Senior Debt Obligations, funds raised through Repo Transactions and Liquidity Advances.
Rating Agencies	Standard & Poor's Ratings Services ("S&P") and Moody's Investors Service, Inc. ("Moody's").
Ratings	Cheyne Finance as a vehicle will have the following counterparty credit rating: S&P: [A-1+/AAA] Moody's [P-1/Aaa]

The Senior Debt Obligations will have the following credit ratings:

S&P:	[A-1+/AAA]
Moody's	[P-1/Aaa]

The SeniorCapital Notes would be expected to have the following ratings:

S&P:	[AAA]
Moody's	[Aaa]

The Mezzanine Capital Notes will have the following ratings:

S&P:	[A]
Moody's	[A3]

The Junior Capital Notes will not be rated.

The Combination Capital Notes will have the following rating:

S&P:	[BBB]

S&P's rating of the Combination Capital Notes covers principal and Libor plus 25 basis points.

Rating Agency Approval

Shall mean, with respect to any relevant action, that the Rating Agencies shall have notified the Investment Manager in writing that such action will not adversely affect or cause the withdrawal of the then applicable Rating of any outstanding series or class of Senior Debt Obligations or Capital Notes. The Rating Agency Approval shall not be satisfied until such notification has been received in writing by the Investment Manager and such notification has been communicated to the Administrator, the Issuer and the Security Trustee.

Security Agreement

The Issuer will grant a security interest in the Investments and its other interests (including certain bank accounts and its right under the programme documents) (collectively, the "Collateral") to the Security Trustee for the benefit of the Secured Obligors.

The Capital Notes will be secured on a subordinated basis on all of the Collateral (other than amounts representing Cheyne Finance's issued and paid-in share capital, certain other nominal amounts and Investments pledged in certain circumstances as CDS collateral to funded CDS counterparties and amounts in Repo pools and attributable to Repo counterparties).

The Security Trustee will enforce its rights in the Collateral following the occurrence of an Enforcement Event. The Issuer may not issue any further Debt Obligations after the security interest is enforced. In addition, the Security Trustee shall thereafter manage the Issuer's business under guidelines intended to provide for the payment of outstanding Debt Obligations in accordance with the Priority of Payments in Enforcement. The Security Trustee will be authorised (or, under certain circumstances, required) by such guidelines to liquidate the Investments to provide for the payment of the Senior Obligations. See Sections VII and VIII for further details.

Secured Parties	*Inter alios*, Debt Obligation holders, the Hedge Counterparties, the CDS Counterparties, the Liquidity Providers, any Repo Counterparties, the Investment Manager, the Administrator, the issuing and paying agents and the placement agents for the Debt Obligations.
U.S. Security Agreement	Cheyne Finance Capital Notes LLC and Cheyne Finance LLC will grant a security interest in the Underlying Assets and their other interests (including certain bank accounts and its right under the U.S. programme documents) (collectively, the "U.S. Collateral") to the U.S. Security Trustee for the benefit of the U.S. Secured Obligors. The U.S. Security Trustee will enforce its rights in the U.S. Collateral following the occurrence of an Enforcement Event under the Underlying Debt Obligations. Cheyne Finance Capital Notes LLC may not issue any further U.S. Capital Notes and Cheyne Finance LLC will not be able to issue any further U.S. Senior Debt Obligations after the security interest is enforced. In addition, the U.S. Security Trustee shall thereafter manage Cheyne Finance Capital Notes LLC and Cheyne Finance LLC's business under guidelines intended to provide for the payment of all obligations of Cheyne Finance Capital Notes LLC and Cheyne Finance LLC in accordance with their respective priorities.
U.S. Secured Obligors	*Inter alios*, U.S. Debt Obligations holders, the U.S. issuing and paying agents and the U.S. placement agents for the U.S. Debt Obligations.
Limited Recourse	The Issuer's obligations will be payable solely from the Collateral and no recourse shall be had against any other investments or any other person in respect of such liabilities. Cheyne Finance Capital Notes LLC and Cheyne Finance LLC's obligations will be payable solely from the U.S. Collateral and no recourse shall be available against any other investments or any other person in respect of such liabilities.
Security Trustee, U.S. Security Trustee and Receivables Trust Trustee	The Bank of New York.
Security Trustee Fee	Fees due to the Security Trustee under an agreement to be signed between the Investment Manager, the Security Trustee and the Issuer.
U.S. Security Trustee Fee	Fees due to the U.S. Security Trustee under an agreement to be signed between the (i) U.S. Security Trustee and Cheyne Finance Capital Notes LLC and (ii) U.S. Security Trustee and Cheyne Finance LLC.
Investment Manager	Cheyne Capital Management Ltd. ("Cheyne").
Substitute Investment Manager	Initially, QSR Management Limited ("QSR").
Delegation	The Investment Manager may delegate some of its tasks under this Termsheet to the Administrator subject to Rating Agency Approval.
Investment Management Fee	Fees due to the Investment Manager under an investment management agreement to be entered into between, *inter alios*, the Investment Manager and the Issuer. The Investment Management shall receive a Senior Management Fee of [5 basis points] calculated with reference to the total notional of assets under management (excluding Cash Equivalents) which is payable as part of the Subordinated Administrative Expenses. The Senior Management Fee shall be paid into the Receivables Trust.
Arranger	Morgan Stanley & Co. International Limited
Administrator	QSR or any other suitable entity appointed in the sole discretion of the Issuer, pursuant to the terms of the Administrative Advisory Services Agreement and subject to Rating Agency approval.

Administrator Fee	Fees due to the Administrator under an agreement to be entered into between, *inter alios*, the Administrator and the Issuer, expressed as basis points per annum as a percentage of the Market Value of the assets under management (excluding Cash Equivalents), subject to a minimum amount.
Auditors	KPMG.
Receivables Trust	Is a trust established in the UK to receive the Investment Management Fees. Morgan Stanley and Cheyne Capital will be beneficiaries of the Receivables Trust. For the avoidance of doubt, Morgan Stanley is not responsible for the management of the Investment Portfolio. Morgan Stanley receives its share as a deferred structuring and placement fee.
Business Day	Any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for the transaction of commercial business in London, Dublin, New York and TARGET.
London Business Day	Any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for the transaction of commercial business in London.
Administrative Expenses	The following Administrative Expenses will be paid *pari passu* and senior to any payments to the Senior Obligations: (a) any fees, expenses and other remuneration of the Receivables Trustee, the Security Trustee, the U.S. Security Trustee and/or any of their respective appointees and receivers and any amounts payable by or on behalf of Cheyne Finance Capital Notes LLC or Cheyne Finance LLC in respect of fees, expenses and other remuneration of the U.S. Security Trustee, accountants and advisers it appoints under the U.S. Security Trust Deed; (b) any fees and expenses of paying agents in respect of Cheyne Finance and any amounts payable by or on behalf of Cheyne Finance Capital Notes LLC or Cheyne Finance LLC in respect of fees and expenses of their paying agents, the fees and expenses of the Custodian and any costs and expenses properly incurred by the Cheyne Finance, Cheyne Finance Capital Notes LLC and Cheyne Finance LLC for the purposes of maintaining their corporate existence or authority to engage in the transactions contemplated by the transaction; (c) any indemnity payments to, or with regard to Cheyne Finance Capital Notes LLC or Cheyne Finance LLC in respect of indemnity payments by Cheyne Finance Capital Notes LLC or Cheyne Finance LLC to, the Receivables Trustee, the Security Trustee, the U.S. Security Trustee any of their respective appointees and receivers; and (d) any indemnity payments to, or with regard to Cheyne Finance Capital Notes LLC or Cheyne Finance LLC in respect of payments by Cheyne Finance Capital Notes LLC or Cheyne Finance LLC to, any of the Investment Manager, the Administrator, the paying agents, the Custodian, the depositary, the placement agent, the dealers or other relevant parties as determined from time to time up to an amount not exceeding any relevant Indemnity Cap.
Senior Obligations	The following obligations of the Issuer shall be Senior Obligations: a) Senior Debt Obligations; b) Payments under Liquidity Advances; c) Payments under Hedge Contracts; d) Payments to CDS Counterparties (except in Funded Synthetic on Balance Sheet, which shall have a prior lien over the CDS collateral and no further claims on the Collateral of the Issuer); and e) Payment of Repo Counterparties.

Special Lien	A Lien, in favour of a Repo Counterparty, over a pool of Investments which are subject to repurchase under a Repo Transaction
Capital Senior Obligations	Capital Senior Obligations means all obligations senior to any payment to Capital Noteholders, which include, *inter alia*: (i) Administrative Expenses; (ii) Senior Obligations; and (iii) Subordinated Administrative Expenses.
Priority of Debt Obligations	The Senior Obligations will rank *pari passu* and will be senior to all other obligations of the Issuer except Administrative Expenses. The Capital Notes will be subordinate to all Administrative Expenses, Senior Obligations and Subordinated Administrative Expenses. Each Series of Capital Notes shall rank *pari passu* without any preference or priority within their Tranche. Each component of any Combination Notes shall rank in accordance with the Tranche of Notes related thereto. See Appendix B, Terms and Conditions of the Capital Notes for full details of the Priority of Payments between different series of Capital Notes.
Mezzanine Capital Notes Subordinated Obligations	Indemnities payable in excess of the Indemnities Cap by the Issuer under legal agreements.
Subordinated Administrative Expenses	The following Subordinated Expenses will be paid *pari passu* and junior to any payments to the Senior Obligations: a) Administrator Fee; b) Senior Investment Management Fee; c) Issuer expenses not covered by Administrative Expenses.
Priority of Payments in Enforcement	Proceeds from the liquidation of investments shall be used to pay down liabilities in the following priority: (a) first, in satisfaction of or provision for all Adminstrative Expenses accrued and/or payable, including all remuneration due to the Security Trustee, the U.S. Security Trustee or any receiver, according to the priority specified in the definition of Administrative Expenses; (b) secondly, in satisfaction of or provision for all Senior Obligations as and when the same become payable and, if more than one such Senior Obligation is payable at the relevant time, pari passu and in proportion to the amounts payable in respect thereof; (c) thirdly, in satisfaction of or provision for the fees, costs and expenses of the Administrator under the Administrative Advisory Services Agreement and any costs and expenses of the Cheyne Finance, Cheyne Finance Capital Notes LLC or Cheyne Finance LLC not covered by Administrative Expenses, *pari passu* and in proportion to the amounts payable in respect thereof; (d) fourthly, in satisfaction of or provision for all interest and all outstanding amounts payable to the Senior Capital Noteholders in respect of Senior Capital Notes outstanding *pari passu* and in proportion to the amounts payable; (e) fifthly, in satisfaction of or provision for all interest and all outstanding amounts payable to the Mezzanine Capital Noteholders in respect of Mezzanine Capital Notes outstanding *pari passu* and in proportion to the amounts payable; (f) sixthly, in satisfaction of or provision for all payments of Mezzanine Capital Notes

Subordinated Obligations *pari passu* and in proportion to the amounts payable;

(g) seventhly, in satisfaction of or provision for all interest and all outstanding amounts payable to the Junior Capital Noteholders in respect of Junior Capital Notes outstanding pari passu and in proportion to the amounts payable;

(h) eighthly, in satisfaction of or provision for any amounts designated as Junior Capital Notes Subordinated Payments (at Closing not expected to be any) *pari passu* and in proportion to the amounts payable;

(i) ninthly, in satisfaction of an amount equal to the greater of (A) the remaining surplus (if any) less U.S.$2,000 and (B) zero to the Receivables Trustee pursuant to the terms of the Receivables Trust Deed; and

(j) lastly, in payment of any remaining amount following application of the amounts set out in paragraphs (a) to (i) above (which amount shall not exceed U.S.$2,000) to the Cheyne Finance.

Post-Reserve Distributable Profit

The procedure for the calculation of Post-Reserves Distributable Profit is outlined in Section XII. The Post-Reserve Distributable Profit will be used for the payments of the items below in the following order:

a) The Senior Variable Margin payable on the Mezzanine Capital Notes;

b) The Mezzanine Variable Margin payable on the Mezzanine Capital Notes;

c) The Junior Variable Margin payable on the Junior Capital Notes;

d) To pay all remaining amounts to the Receivables Trust as a Subordinated Investment Management Fee.

Ringfencing of Capital Notes

Cheyne Finance may issue Capital Notes that are ring-fenced from existing Capital Notes. Such Capital Notes may be Non-U.S. dollar denominated subject to, *inter alia*, the following conditions being met: a) The Issuer is not in Enforcement and b) all Capital Tests are satisfied following such issuance, or, if any of such Capital Tests were not satisfied immediately prior to such issuance, each such Capital Test is maintained or improved following such issuance. For the avoidance of doubt, there shall be no corresponding ringfencing of Senior Debt Obligations.

Base Reporting Currency

U.S. Dollars.

Issues to be Finalised Post Closing

A list of issues which will be finalised post Closing is included in Appendix J. Rating Agencies do not need to consider the items in Appendix J until requested to do so.

II. Market Valuations

Valuation Introduction	The Market Value of each (a) Cash Investment (including exposure to Reference Obligations under Credit Default Swaps ("CDS")), (b) Hedge Counterparty Exposure and (c) CDS, shall be sourced on a regular basis. The frequency and form for determining Market Value may change in agreement with the Rating Agencies from time to time.
Market Value	The market valuation of the Investments, Hedge Counterparty Exposures or CDS, as the case may be, determined in accordance with the General Valuation Rules and the relevant Approved Form of Valuation.
General Valuation Rules	The following general rules are applicable to all valuations of Investments: a) The Investment Manager shall use best endeavours to ascertain the Market Value of each Investment sourced using an Approved Form of Valuation on a weekly basis; b) If the Investment Manager cannot ascertain the Market Value of an Investment using the Approved Form of Valuation on a given day, the discount margin relating to the Investment shall remain unchanged. c) Should the Investment Manager fail to source an Approved From of Valuation from dealers for more than 4 successive weeks, the Investment shall be valued at the lower of (i) the lower of the S&P or Moody's relevant recovery rate (see Appendix E. Investment Recovery Rate Tables (ii) [90%] of the last Market Value sourced from a dealer. d) All Market Values shall be updated daily by either (i) comparing the Market Value from the previous day (ii) cross checking any price movement with any corresponding movement in spread, (iii) using the discount margin or (iv) checking against known market movements and conditions. e) Under S&P rating criteria, no more than 5% of Investments may be assigned an Approved Market Valuation which was derived using a Matrix Methodology (calculated as the current Market Value of the Investments where the last Approved Form of Valuation used the Matrix Methodology, divided by the Total Portfolio Value (as defined below in Section IV)). f) In addition to sourcing Market Values for Investments, the Investment Manager will also source discount margins independent of the Issuer and Investment Manager, which shall be used for price validation. g) The discount margin is either calculated from the Approved Market Valuation using an accepted fixed income pricing calculation methodologies or sourced as in (e) above. h) All Market Values shall include accrued interest (i.e. shall be based on dirty prices).
Approved Form of Valuation	The market valuation of the Investments ("Mark to Market" or "Approved Market Valuation") will be obtained using one of the three Approved Forms of Valuation of Investments listed below: a) Directly sourced from dealers following the Dealer Pricing Guidelines for Investments; b) Using electronic External Pricing Sources; or c) Using a Matrix Methodology. Which is where the Investment Manager derives a Market Value for an Investment by reference to credit spreads (e.g. versus benchmark Libor rates) for comparable investment types The Investment Manager will calculate the valuation from such yields or spreads at the bid side of the market using standard fixed income pricing calculation methodologies. Details of the reference matrices shall be finalised in agreement with the Rating Agencies post Closing. In relation to the Market Value of a Reference Obligation, such market value shall be sourced

in the same manner as described for Investments above, treating the Reference Obligation as an Investment. See Section XI Synthetic Investments for further details.

Dealer Pricing Guidelines for Investments	When sourcing Market Value information from dealers, the following rules shall apply: a) It shall be a condition precedent that a dealer from whom an Investment is purchased must provide a weekly bid price to be used in the calculation of the Investment's Market Value. This condition may be waived by the Investment Manager where it is considered to be in the best interest of the Issuer (as determined in the reasonable judgement of the Investment Manager). b) If the Investment has been purchased from multiple dealers, then valuations only need to be sourced from any one or more of such dealers. c) Valuations may be sourced from additional dealers where deemed necessary or appropriate by the Investment Manager. d) Where more than one valuation has been obtained from dealers, a simple average of the valuations sourced is used. e) Where the Investment Manager deems a valuation too high or too low pursuant to the General Valuation Rules, the dealer is requested to reaffirm the valuation and to explain the basis of the quotation. f) If the Investment Manager remains dissatisfied with the accuracy of the valuation and if the valuation has been obtained from a single dealer, then one or more valuations will be sought from other dealers and a simple average of the valuations will be applied (disregarding the initial valuation with which the Investment Manager is dissatisfied). The disregarded valuation shall be reported to the Rating Agencies as an exception.
External Pricing Sources	Only electronic External Pricing Sources then currently used by market participants will be used as pricing sources, which will initially include (but may be expanded in agreement with the Rating Agencies from time to time): IDC; Bloomberg Generic; Bloomberg; Euroclear; Reuters; Broker; and Financial Times.
Approved Forms of Valuations of Hedge Counterparty Exposures	All Hedge Counterparty Exposures will be Marked to Market daily using one of the three Approved Forms of Valuation of Hedge Counterparty Exposures listed below: a) Market Values directly sourced from dealers; b) Exchange-traded Hedge Contracts will be valued at the official closing price; or c) Modelled valuations. Which is where the Administrator, on behalf of the Investment Manager, derives a Market Value for a Hedge Counterparty Exposure using an in-house or third party derivative valuation system based on accepted fixed income pricing calculation methodologies. In such calculations, the Administrator will calculate the Market Value using bid side rates. Where bid side rates are not available, valuations based on mid-market rates may be converted to bid side valuations by subtracting the PV Charge. Hedge Counterparties which relate to Matched Investments shall be subject to the standard PV charges.
PV Charge	Defined as an amount equal to one half of the present value of the Relevant Dealing Spreads,

defined over the expected life of the Hedge Contract using the applicable PV Charge Discount Rate.

Relevant Dealing Spreads

The Relevant Dealing Spreads, expressed in basis points, shall be determined according to the currency and form of the Hedge Contract using the following table:

Currency of Hedge Contract	Interest Rate Swaps	Cross Currency & Cross Currency Basis Swaps	Any other Hedge Agreement	Interest Rate Caps
Australian $	8	10	14	[●]
Canadian $	5	9	11	[●]
Euro	5	9	11	[●]
Yen	4	8	10	[●]
New Zealand $	8	10	14	[●]
Pound	4	8	10	[●]
Swedish Krone	8	10	14	[●]
Swiss Franc	5	9	11	[●]
U.S. $	4	8	10	[●]

The above listed dealing spreads will be reviewed by the Investment Manager every six months and may be amended if deemed appropriate, in agreement with the Rating Agencies from time to time. The PV Charge applicable to Hedge Counterparty Exposures not denominated in the currencies listed above will be determined in agreement with the Rating Agencies from time to time.

PV Charge Discount Rate

Shall be a single fixed rate which is set by the Administrator and the Investment Manager and updated periodically to reflect changing market conditions. Shall initially be [●].

Complex Financial Package Valuation Guidelines

For Complex Financial Packages incorporating multiple underlying financial components (such as a Hedge Contract combined with an Investment, or a Senior Debt Obligation), a single overall valuation may be used in the following cases:

a) For Investments in combination with a Hedge Contract, if the Investment Manager considers the result of a combined valuation of the different financial components as a more or equally accurate Market Value than a valuation of each of the individual parts of the combined Complex Financial Package, or find such combined valuations easier to source from third parties;

b) For other structured securities, the entire package is valued in order to remove differences caused by model or input variations between the pricing sources which are used for the valuation of the various components.

The Investment Manager will record an updated valuation for such a Complex Financial Package using a valuation determined in accordance with the General Valuation Rules and the Approved Forms of Valuation. The Investment Manager will be required to generate a Market Value independently for at least one of the financial components of the Complex Financial package but the Market Value of the other financial components may be implied.

The Market Value of the remaining component will be recorded as the difference in value between the valuation of the Complex Financial Package and the valued component, and will be identified as a residual market value in the Pricing Source Database.

Pricing Source Database	The Administrator shall keep an electronic record of the Market Value and the method of valuation for each Investment and Hedge Counterparty Exposure, and the Effective Notional Value of each Senior Debt Obligation and the notional value of Capital Notes, valued on each Business Day.
Non-Compliance	Non-compliance with any of the above procedures will not automatically trigger a Restricted Investments, Restricted Funding Event or Enforcement Event. However, upon discovery of non-compliance the Investment Manager must notify both Rating Agencies as soon as is reasonably possible.
Effective Notional Value of the Senior Debt Obligations	The Effective Notional Value of the Senior Debt Obligations will be defined as the principal amount outstanding including any accrued interest net of any unamortised issue discount or premium.
Effective Notional Value of Senior Funding	The Effective Notional Value of Senior Funding will be defined as the principal amount outstanding value including any accrued interest net of any unamortised issue discount or premium.
Matched Investment Market Value To be finalised post closing	Where the Matched Investment is U.S. Dollar denominated, the Matched Investment Market Value shall be the lower of: a) the Matched Investment Notional; and b) the Matched Liability Notional. For non-U.S. Dollar denominated Matched Investments which are swapped into U.S. Dollars, the Matched Investment Market Value shall be the lower of: a) the notional of the U.S. Dollar denominated leg of the swap agreement; and b) the Matched Liability Notional.
Total Portfolio Value	Total Portfolio Value is calculated as the sum of the Market Value of all cash Investments, including Cash Equivalents, CDS Collateral and the Market Value of any Reference Obligation under a CDS and Hedge Counterparty Exposures. For the avoidance of doubt, Investments which are subject to Repo Transactions (including cash posted to a Repo Counterparty as a margin call), Committed Repo Transactions and Securities Lending Transactions are included as normal Investments for the purpose of calculating Total Portfolio Value.
Total Principal Portfolio Value	Total Principal Portfolio Value is calculated as the sum of the principal amount outstanding of all Investments, including Cash Equivalents, CDS Collateral and the principal amount outstanding of any Reference Obligation under a CDS. For the avoidance of doubt, Investments which are subject to Repo Transactions (including cash posted to a Repo Counterparty as a margin call), Committed Repo Transactions and Securities Lending Transactions are included as normal Investments for the purpose of calculating Total Principal Portfolio Value.

III. Capital Tests

Rationale

On each Business Day, in order to ensure capital adequacy, the Issuer will consider the Market Value of all Investments and Hedges, and will assign a capital charge to each Investment and each net positive Hedge Counterparty Exposure. This level of required capital is compared to the Capital Notes outstanding.

Capital Test Overview

Each Capital Test must be tested on each Business Day, apart from the Simulation Model Rating Test and the Capital Note Maturity Test, which shall be calculated weekly.

Failure to comply with the Minor Capital Tests will lead to Restricted Investments. Failure to comply with the Major Capital Tests will result in Restricted Funding (with the exception of the Major Capital Loss Limit Test, failure of which will result in Enforcement). In both cases there is a 5 Business Day cure period to permit curing of the test.

Capital Tests

The Capital Tests shall comprise the Major Capital Tests and the Minor Capital Tests.

The Major Capital Tests comprise:

a) Major Capital Adequacy Test

b) Maximum Leverage Test

c) Relative Leverage Test

d) Major Capital Loss Limit Test

The Minor Capital Tests comprise:

a) Minor Capital Adequacy Test

b) Minor Capital Loss Limit Test

c) Capital Note Simulation Model Rating Test

d) Capital Note Rating Test

e) Capital Note Maturity Test

f) Senior Note Rating Test

g) Adjusted Net Asset Value Leverage Test

Major Capital Adequacy Test

The Major Capital Adequacy Test shall test if the existing Capital Notes are sufficient to cover the capital requirements of the Issuer. The capital requirement is determined by the haircuts applied to the Investments and net positive Hedge Counterparty Exposures.

In comparison to the Minor Capital Adequacy Test, the minimum required capital is set lower, using the Investment Capital Requirement and Hedge Capital Requirement, without multiplying either by a factor.

The Major Capital Adequacy Test shall be defined as:

$I(Major) + H(Major) + S(Major) - U(Major) - K - R - P - Q - L - CD \geq 0$; where:

I(Major) = sum of (Market Value of Cash Investments including CDS Collateral * (1-relevant Investment Capital Requirement))

H(Major) = sum of ((Market Value of net positive Hedge Counterparty Exposures * (1-relevant Hedge Capital Requirement)) + Market Value of net negative Hedge Counterparty Exposures)

S(Major) = sum of (Market Value of non-USNTID CDS minus (Market Value of Reference Obligation * relevant Investment Capital Requirement)) (for all but USNTID CDS, see Synthetics Section XI for further details).

U(Major) = TUSBCR(Major) = Sum of (((Market Value of USNTID CDS - (Market Value of Reference Obligation * relevant Investment Capital Requirement))* CPTY DR) – (EL*(1 – CPTY DR)))

- CPTY DR = CDS Counterparty Idealised Default Rate (see Appendix [D] for details)
- EL = the expected loss of the Reference Obligation (see Appendix [●] for details)

K = Where the premium payment on a Synthetic Investment is made in arrears, the Issuer will also be required to hold the applicable "PCR" (CDS Premium Capital Requirement) as outlined in Synthetics Section XI. If the spread payment is made in advance, there will be no PCR. (see Synthetics Section XI for further details)

R = sum of (Max(0,(Market Value of Repo Investment + net margin call to Repo Counterparty – Senior Funding owed to Repo Counterparty)) * relevant Repo Counterparty Capital Requirement)

P = sum of additional capital charges incurred due to breaches of Portfolio Parameter Tests (see Investment Portfolio Section IV for further details).

Q = additional capital charge incurred due to a breach of the Maximum Net Positive Hedge Counterparty Exposure Test.

L = Effective Notional Value of Senior Funding and all additional obligations which rank senior or pari passu to the Senior Debt Obligations as outlined in the Priority of Payments in Section I.

CD = is the maximum amount of breakage fee payable at any time for the withdrawal of Breakable Deposits

Maximum Leverage Tests

The Maximum Leverage Tests shall have the effect of capping the leverage within the vehicle.

There are two Maximum Leverage Tests:

a) The Total Capital Maximum Leverage Test

b) The Junior Capital Maximum Leverage Test

Total Capital Maximum Leverage Test

There are two Total Capital Maximum Leverage Tests, which are defined as:

Total Portfolio Value less the Market Value of Reference Obligations under CDS / CN <= [20]; where:

CN = principal amount outstanding of Capital Notes

Total Portfolio Value / CN <= [25]; where:

CN = as defined above

Junior Capital Maximum Leverage Test

The Junior Capital Maximum Leverage Test is defined as:

Total Portfolio Value / JCN <= [133.3]; where:

Total Portfolio Value is defined in the Total Capital Maximum Leverage Test above.

JCN = principal amount outstanding of Junior Capital Notes

<u>Relative Leverage Test</u>	The Relative Leverage Test ensures that the relative amount of Junior Capital notes to Mezzanine Capital Notes is held in the proportions agreed with the Rating Agencies. (JCN / MCN) >= [1/7.5]; where: MCN = principal amount outstanding of Mezzanine Capital Notes. JCN is defined in the Junior Capital Maximum Leverage Test above. The Relative Leverage Tests shall be amended to the extent that: 1. The Rating Agencies approve different proportions of the relative tranches; 2. The Issuer issues additional Capital Notes with a different level of seniority than the existing Tranches, or in a non-U.S. Dollar currency of denomination (both subject to Rating Agency Approval).
Major Capital Loss Test	The Major Capital Loss Limit Test measures whether the Adjusted NAV of the Capital Notes is less than the given level. The Major Capital Loss Limit Test shall be satisfied if: Adjusted NAV >= 0.5 CN CN is defined in the Total Capital Maximum Leverage Test above
Minor Capital Adequacy Test	The Minor Capital Adequacy Test shall test if the existing Capital Notes are sufficient to cover the capital requirements of the Issuer. The capital requirement is determined by the haircuts applied to the Investments and net positive Hedge Counterparty Exposures. In comparison to the Major Capital Adequacy Test, the minimum required capital is set higher, multiplying both the Investment Capital Requirement and Hedge Capital Requirement by a factor. The Minor Capital Adequacy Test shall be defined as: I(Minor) + H(Minor) +S(Minor) – U(Minor) – K – R – P – Q – L - CD ≥ 0; here: I(Minor) = sum of (Market Value of Cash Investments including CDS Collateral * (1-(relevant Investment Capital Requirement*(100/70)))) H(Minor) = sum of (Market Value of net positive Hedge Counterparty Exposures * (1-(relevant Hedge Capital Requirement*(100/70))) + Market Value of net negative Hedge Counterparty Exposures) S(Minor) = sum of (Market Value of non-USNTID CDS minus (Market Value of Reference Obligation * (relevant Investment Capital Requirement * 100/70))) (for all but USNTID CDS, see Synthetics Section XI for further details). U(Minor) = TUSBCR(Minor) = Sum of (((Market Value of USNTID CDS - (Market Value of Reference Obligation * (relevant Investment Capital Requirement * 100/70)))* CPTY DR) – ((EL * 100/70) * (1 – CPTY DR))) • CPTY DR = CDS Counterparty Idealised Default Rate (see Appendix [D] for details) • EL = the expected loss of the Reference Obligation (see Appendix [•] for details) K, R, P, Q, L and CD are as defined in Major Capital Adequacy Test above For the avoidance of doubt, for Ineligible Investments, the amended market value as calculated in I(Minor) shall be considered to be zero, i.e. the Investment is fully capitalised.

Minor Capital Loss Test	The Minor Capital Loss Limit Test measures whether the Adjusted NAV of the Capital Notes is less than the given level. The Minor Capital Loss Limit Test shall be defined as: Adjusted NAV > 0.7 CN CN is defined in the Total Maximum Leverage Test above.
Capital Note Simulation Model Rating Test	The Capital Note Simulation Model Rating Test shall be breached if the output from the Capital Note Simulation Model implies (using methodology as agreed with the applicable Rating Agency) Capital Note ratings falling below the following levels: a) Mezzanine Capital Notes: Rating falls below BBB+ (S&P), or Baa1 (Moody's) b) Combination Capital Notes: Rating falls below BB+ (S&P) or below, or Ba1 (Moody's) or below Auditors shall approve the Capital Note Simulation Model by Closing. The Capital Note Simulation Model Rating Test will be performed on a weekly basis and each time new Capital Notes are issued by the vehicle or existing Capital Notes are redeemed (run will be performed immediately prior to repayment or issuance to test if such repayment or issuance would cause a downgrade of the rated Capital Notes below the trigger levels).
Capital Note Rating Test	The Capital Note Rating Test shall be breached if the public ratings of the Mezzanine Capital Notes fall below Baa1 for Moody's.
Capital Note Maturity Test	The Capital Note Maturity Test will be performed on a weekly basis and each time new Capital Notes are issued by the vehicle or existing Capital Notes are redeemed. See Appendix G for further details of the test. Failure of the Capital Note Maturity Test shall lead to Restricted Investments. The Capital Note Maturity Test will be performed on a weekly basis and each time new Capital Notes are issued by the vehicle or existing Capital Notes are redeemed. See Appendix G. for further details.
Senior Note Rating Test	The Senior Note Rating Test shall be breached if the Moody's public ratings of the Senior Notes are downgraded below AAA/P-1 in respect of Moody's.
Adjusted Net Asset Value Leverage Test	The Adjusted Net Asset Value Leverage Test shall be breached if the Adjusted Net Asset Value of Capital as a percentage of the principal amount outstanding of Senior Funding is less than 4.55%.
Adjusted NAV	Adjusted Net Asset Value is calculated as follows: Adjusted NAV = I + H + S – L – U – CD where: I = sum of Market Value of Cash Investments H = sum of Market Value of Hedge Counterparty Exposures S = sum of Market Value of CDS (for all but USNTID CDS, see Synthetics Section XI for further details) L = Effective Notional Value of the Senior Funding U = sum of ((Market Value of CDS * CPTY DR) – ((EL * 100/70) * (1 – CPTY DR)))

Where CPTY DR and EL are defined in the Major Capital Adequacy Test

CD = is the maximum amount of breakage fee payable at any time for the withdrawal of Breakable Deposits

For the avoidance of doubt, the Adjusted NAV calculation includes the full Market Value of Repo Investments (Investments which are transferred to Repo Counterparties or Committed Repo Counterparties under Repo Transactions) and also any cash which is posted to the Repo Counterparties or Committed Repo Counterparties under margin calls.

Capital Matrix and Capital Model

The Issuer will initially use Capital Matrices to determine capital requirements (Base Capital Requirements for Cash Investments are included in Appendix C) and the Issuer's total capital requirement will be tested using the Major Capital Adequacy Test and Minor Capital Adequacy Test. It is expected that the Major Capital Adequacy Test and Minor Capital Adequacy Test will be replaced by a test of the rating of the Senior Debt Obligations using a Senior Debt Obligation Simulation Capital Model which will be developed post initial launch.

Both the Rating Agency and Auditors will approve the Senior Debt Obligation Simulation Capital Model prior to replacement of the Major and Minor Capital Adequacy Tests.

Investment Capital Requirement

The Investment Capital Requirement for each Eligible Cash Investment and Reference Obligation (as outlined in the relevant CDS contract and excluding Reference Obligations relating to USNTID CDS) will be equal to the product of the following:

a) Base Capital Requirement;

b) Synthetic Investment Penalty Factor;

For Ineligible Cash Investments, the Investment Capital Requirement shall be 100% of the Market Value of such Investment.

For the avoidance of doubt, Investments which are referenced though USNTID CDS shall have alternative capital requirements as outlined in Section XI.

Base Capital Requirement

Will be calculated based on the following factors:

a) Deemed Rating of Investments

b) Weighted Average Life ("WAL") of Investments

c) Capital Investment Class

The above listed factors may be amended with Rating Agency Approval.

The Capital Requirement will be determined from the Capital Matrix for the Capital Investment Class of such Investment and given the Deemed Rating and Weighted Average Life of the Investment.

The Capital Matrix for each Capital Investment Class shall show the Capital Requirement for each combination of Deemed Rating and Weighted Average Life of Investments. The Weighted Average Life of the Investment shall be rounded to the nearest month for the purpose of determining the Base Capital Requirement within a Capital Matrix.

Synthetic Investment Penalty Factor

Synthetic Investment Penalty Factor is included in the calculation of the Investment Capital Requirement of Investments to which the vehicle has taken synthetic exposure. The Synthetic Investment Penalty Factor is designed to reflect the lack of CDS spread data and the potential basis risk between cash and CDS spread movements and is expected to be [1.05].

Capital Investment Class	The Capital Investment Class shall determine the capital matrices to use in order to calculate the Base Capital Requirement. There shall initially be 7 identified Capital Investment Classes for Structured Finance securities, each of which have a corresponding capital matrix (see Base Capital Requirement for Cash Investments Appendix. C) for the purpose of calculating the Base Capital Requirement for Structured Finance securities: Credit Cards / Auto Loans / CDOs / CMBS / RMBS / Student Loans / HELs Additional Capital Investment Classes initially include Cash Equivalents and Sallie Mae Government Agency securities, each of which have a corresponding capital matrix. Investments shall be assigned to certain Capital Investment Classes according to the following criteria: a) If the Investment Class/Sector/Sub-Sector of such Investment is an identified Capital Investment Class, such Capital Investment Class/Sector; b) If the Investment Class/Sector/Sub-Sector has been designated to a Capital Investment Class as outlined in the Base Capital Requirement Sector Mapping Table in Appendix F, then the Capital Investment Class as assigned in the table; c) If the Investment Class/Sector of such Investment is not an identified Capital Investment Class or included in the Base Capital Requirement Sector Mapping Table then, the Capital Investment Class as recommended by the Investment Manager in agreement with the Rating Agencies. For the avoidance of doubt, such classification is only for use when calculating the Base Capital Requirement and is not applicable to any other tests (i.e. Portfolio Parameter Tests).
Vanilla Investment	Shall mean an Investment (including Cash Equivalents) paying a zero coupon or a coupon that is fixed or floating and based on Libor, T-bill, Prime, CP or Fed Funds rates, with either (i) a bullet maturity date, (ii) in the case of floating rate Investments, a soft bullet maturity date or (iii) in the case of floating rate Investments, which follows a controlled amortisation schedule. For the avoidance of doubt, investors which have a soft bullet maturity date only to the extent that a step-up call is exercised (and which do not follow a controlled amortisation schedule) do not qualify as Vanilla Investments.
Pre-Paying Investment	Shall mean an amortising or pre-payable Investment with a known or unknown amortisation schedule paying a zero coupon or a coupon that is fixed or floating and based on Libor, T-bill, Prime, CP or Fed Funds rates.
Complex Investment	Shall mean an Investment (i) that is neither a Vanilla Investment nor a Prepaying Investment or (ii) whose redemption value is not fixed at a specific amount or (iii) requires physical delivery
Hedge Counterparty Capital Requirements	The Base Capital Requirement for net positive Hedge Counterparty exposures is dependent on the Applicable Hedge Counterparty Rating (as defined in Section X) of the Hedge Counterparty and the tenor of the Hedge Agreement. The Capital Investment Class for net positive Hedge Counterparty Exposures shall be RMBS. See Hedging Overview Section X for further details.
Repo Counterparty Capital Requirement	The Base Capital Requirement for net positive Repo Counterparty exposures (Market Value of Repo Investment + margin call posted to Repo Counterparty – Senior Funding owed to Repo Counterparty) is [•]. To be finalised post closing
CDS Counterparty Capital	The Base Capital Requirement for net positive CDS Counterparty exposures is [•].

Requirement	To be finalised post closing
Eligible Hedge Counterparty Rating	A Hedge Counterparty has an Eligible Hedge Counterparty Rating if the Applicable Hedge Counterparty Rating is equal to or higher than A-1 and P-1 by S&P and Moody's respectively.
Cash Equivalent Capital Requirements	The Base Capital Requirement for Cash Equivalents is dependant on the Cash Equivalent or institution in which the Cash Equivalent is deposited. For A-1+ rated securities or non-rated securities deposited in a A-1+ rated institutions, the Base Capital Requirement shall be 0.0019% irrespective of the rating or the tenor of the security. For A-1 rated securities or non-rated securities deposited in a A-1 rated institutions, the Base Capital Requirement shall be 0.0113% irrespective of the rating or the tenor of the security.
Matched Investment Capital Requirements To be finalised post closing	Notwithstanding the above, the Investment Capital Requirement for all Matched Investments shall be limited to the credit risk of the underlying Investments. The Investment Capital Requirement shall be equal to the expected loss of an Investment with the Deemed Rating and Weighted Average Life of the Matched Investment. The expected loss shall be calculated using the idealised default rate table of the applicable Rating Agency and assuming a rating dependent recovery rate. See Appendix [•] for details of the table to be used for the calculation of the capital requirement. For the avoidance of doubt, Hedge Contracts which relate to Matched Investments will still be subject to the standard Hedge Capital Requirements.

IV. Investment Portfolio

Introduction	The Issuer will invest the net proceeds of the Debt Obligations (and where applicable, funds raised through Repo Transactions and Liquidity Advances) primarily in Structured Finance Securities and other debt instruments (the "Cash Investments") and may also take synthetic exposure to debt securities through the writing of credit derivative contracts (the "Synthetic Investments" and together with the Cash Investments the "Investments" or in aggregate, the "Investment Portfolio") which satisfy the Investment Purchase Criteria approved by the Rating Agencies. The composition of the Investment Portfolio is restricted by the Investment Purchase Criteria. In addition, failure to comply with either the Investment Holding Criteria or any of the Portfolio Parameter Tests has capital requirement implications as outlined under the relevant section. As such, the Investment Manager is incentivised to manage the Investment Portfolio within the parameters agreed with the Rating Agencies. For the purpose of the Investment Purchase Criteria, the Investment Holding Criteria and the Portfolio Parameter Tests, unless specified otherwise, synthetic exposure to a Reference Obligation shall be treated as a cash exposure to the relevant Reference Obligation as further described in Section XI. For the avoidance of doubt, the Portfolio Parameter Tests are calculated twice, using Moody's and S&P Deemed Ratings independently (resulting in a complete set of Portfolio Parameter Test results for each Rating Agency).
Investment Portfolio	The portfolio of Investments to which the Issuer has exposure (which includes Ineligible Investments) in either cash or synthetic form, shall comprise the Investment Portfolio.

Cash Investments	Cash Investments are Investments which the vehicle purchases in cash form. The sum of all Cash Investments equals the Cash Investment Portfolio.
Synthetic Investments	Synthetic Investments are Investments to which the vehicle has taken exposure to synthetically through the writing of Credit Default Swap Contracts or Total Return Swaps. See Synthetic Investments Section XI for further details.
Portfolio Database	A database containing details of all Investments in the Investment Portfolio (including Ineligible Investments) at any time, to be updated by the Administrator on each Business Day.
Investment Details	For each Investment, at the time of purchase, the Investment Details will be assigned and entered into the Portfolio Database by the Administrator. The Investment Details shall include the following, and unless specified below shall not change: a) Name b) Identifier c) Purchase price d) Deemed Rating for each of the Rating Agencies, as shall be updated from time to time e) Currency of Investment f) Investment Class, Sector and (if applicable) Sub-Sector, as shall be determined in the good faith and reasonable business judgement of the Investment Manager, as may be amended by the Rating Agencies where notice is given to the Investment Manager by the particular Rating Agency g) Key Country of Investment h) Weighted Average Life of the Investment, as shall be amended from time to time i) The Expected Maturity Date, as shall be amended from time to time j) The Legal Maturity Date k) The Investment Notional, as shall be amended from time to time l) Guarantor (if applicable) m) Deemed Rating of the underlying Investment of a Guaranteed Security (if applicable) n) Master Trust Group (if applicable) o) Servicer For CDS, all Investment Details as for Cash Investments shall be recorded with regards to the underlying Eligible Reference Entity. In addition, the following details shall be recorded: a) CDS Counterparty Name b) CDS Counterparty Rating as shall be updated from time to time c) Contract Currency (normally equal to currency of Reference Obligation) d) Reference Obligation Effective Notional Size (normally equal to Reference Obligation Effective Notional) e) CDS Maturity Date (normally equal to Legal Maturity of the Reference Obligation) For Financing Transactions, additional information will be provided as agreed with the

Rating Agencies.

Investment Class	For each Investment, shall be either Structured Finance, Financing Transaction, Sovereign, Supranational & U.S. Government Agencies, Financial Institutions, Corporates or otherwise as shall be determined in the good faith and reasonable business judgement of the Investment Manager, as may be amended by the Rating Agencies where notice is given to the Investment Manager by the particular Rating Agency.
Investment Purchase Criteria	The Issuer is permitted to invest in Investments which, at the time of purchase, satisfy each of the following Investment Purchase Criteria:

a) Each Investment must have a Deemed Rating of at least:

i) A- by S&P and A3 by Moody's;

ii) A-1 by S&P and P-1 by Moody's and has an original term to maturity of 90 days or less; or

iii) It is a condition of the agreement to acquire such Investment that the Issuer shall not be obligated to acquire such Investment unless such Investment has a confirmed Deemed Rating as specified above in (i) or (ii) above not later than the settlement date for such purchase;

b) Each Investment must be one of the Eligible Investment Types;

c) No investment may be made in SIV capital notes, interest only bonds or convertible bonds;

d) Each Investment must be capable of being marked to market on a regular basis using an Approved Form of Valuation;

e) Each Investment must be denominated in an Eligible Currency;

f) Each Investment must bear or accrete interest at a fixed rate or at a floating rate under an interest-rate index;

g) Each Investment must be issued by an Obligor domiciled in an Eligible Jurisdiction;

h) The Issuer is not restricted from purchasing such Investment as a result of being in Restricted Investments, Restricted Funding or Enforcement or such an Investment would not give rise to a Restricted Investments Event, a Restricted Funding Event or an Enforcement Event;

i) The Issuer must be capable of hedging each Investment in compliance with the Market Sensitivity Tests, or in compliance with the HEL Hedging Criteria;

j) Future cash flows are not dependent upon any event, other than the ability of the Obligor to make such payments;

k) Investments where Cheyne Capital is acting in a managerial capacity with respect to such Investments may only be purchased by the Issuer with Rating Agency approval. For the avoidance of doubt, this restriction shall not apply in situations where the Issuer is entering into a financing transaction with a third party, (e.g. purchasing the Super Senior Tranche of a Market Value CDO);

l) No Investment may be made if the addition of such Investment to the Investment Portfolio would result in the breach of an Eligible Limit of a Portfolio Parameter Test, or, to the extent that such Eligible Limit was not satisfied prior to such investment, such breach shall not be made worse following such investment;

m) The Maximum Non-AAA Rated CDO Investment at Point of Purchase Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Non-AAA Rated CDO Investment at Point of Purchase Test was not satisfied

immediately prior to such investment, such Maximum Non-AAA Rated CDO Investment at Point of Purchase Test shall not be made worse following such investment;

n) The Maximum Legal Final Maturity of Investments at Point of Purchase Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Legal Final Maturity of Investments at Point of Purchase Test was not satisfied immediately prior to such investment, such Maximum Legal Final Maturity of Investments at Point of Purchase Test shall not be made worse following such investment;

o) The Maximum Expected Final Maturity of Investments at Point of Purchase Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Expected Final Maturity of Investments at Point of Purchase Test was not satisfied immediately prior to such investment, such Maximum Expected Final Maturity of Investments at Point of Purchase Test shall not be made worse following such investment;

p) The Maximum Investment Weighted Average Life at Point of Purchase Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Investment Weighted Average Life at Point of Purchase Test was not satisfied immediately prior to such investment, such Maximum Investment Weighted Average Life at Point of Purchase Test shall not be made worse following such investment;

q) The Maximum Investment Portfolio Weighted Average Life Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Investment Portfolio Weighted Average Life Test was not satisfied immediately prior to such investment, such Maximum Investment Portfolio Weighted Average Life Test shall not be made worse following such investment;

r) The Maximum Non-Public or Non-Shadow Rating Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Non-Public or Non-Shadow Rating Test was not satisfied immediately prior to such investment, such Maximum Non-Public or Non-Shadow Rating Test shall not be made worse following such investment;

s) The Maximum Single Obligor at Point of Purchase Test - % of Total Principal Portfolio Value must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Single Obligor at Point of Purchase Test - % of Total Principal Portfolio Value was not satisfied immediately prior to such investment, such Maximum Single Obligor at Point of Purchase Test - % of Total Principal Portfolio Value shall not be made worse following such investment;

t) The Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value was not satisfied immediately prior to such investment, such Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value shall not be made worse following such Investment;

u) The Maximum Synthetic Investments at Point of Purchase Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Synthetic Investments Test at Point of Purchase Test was not satisfied immediately prior to such investment, such Maximum Synthetic Investments Test at Point of Purchase Test shall not be made worse following such investment;

The Investment Purchase Criteria may be amended from time to time in order to take account of additional investment types or waived for individual Investments with the approval of the Rating Agencies.

Eligible Investment Types

The Issuer may purchase the following types of Cash Investments:

a) Structured Finance Securities (including Insurer Guaranteed Structured Finance

Securities);

b) Government Agency Securities;

c) Government Securities and Supranational Securities;

d) Cash Equivalents

e) And may enter into Financing Transactions

Additionally, the Issuer may enter into CDS in relation to (a), (b) and (c), ("Synthetic Investments") which are described in more detail in Section XI.

For the avoidance of doubt, Corporate Investments are only Eligible Investments when component parts of Financing Transaction combined with credit enhancement.

Structured Finance Securities

Shall mean (a) any debt security which is secured directly by, or representing ownership of, a pool of consumer receivables, auto loans, auto leases, equipment leases, home or commercial mortgages, corporate debt or sovereign debt obligations or similar Investments, including, without limitation, collateralised bond obligations, collateralised loan obligations or any similar security (b) any other security which the Rating Agencies categorise as a Structured Finance Security.

Synthetic exposure to the above defined investments shall also be categorised as a Structured Finance Security for the purpose of the Portfolio Parameter Tests.

Insurer Guaranteed Structured Finance Securities

Are debt securities where the ultimate repayment of interest and principal is guaranteed by a Monoline Insurer but only where without such guarantee, the debt security would be classified as a Structured Finance Security, and would be expected to be assigned a lower or equal rating from any one of the Rating Agencies that publicly rates such obligation.

Such Investments will be classified in the Structured Finance Investment Class, rather than in the Financial Investment Class, and their concentration in the portfolio shall be tracked.

Monoline Insurer

Shall mean a AAA/Aaa rated company (at the point of purchase or the Insurer Guaranteed Structured Finance Security) that guarantees that all interest and principal payments on a bond will be paid as scheduled.

Government Agency Securities

Shall include AAA rated securities issued by Fannie Mae, Freddie Mac, Ginnie Mae and Sallie Mae.

Government Securities

Debt securities issued by sovereign entities and where such entities are responsible for the repayment of such bonds.

Supranational Securities

Debt securities issued by supranational entities and where such entities are responsible for the repayment of such bonds.

Cash Equivalents

Shall include the following:

a) Any overnight investment in AAA/AAAm and Aaa/MR1+ and rated money market funds, subject to Rating Agency Approval;

b) Cash in any Eligible Currency, deposited in a bank with a rating of AAA and/or A-1+ by S&P;

c) Breakable Deposits;

d) Puttable Investments;

e) Money Market Funds; or

f) Any investment in commercial paper, bank certificates of deposit, cash deposits that

mature in less than 30 calendar days from an Issuer rated A-1+/ P-1.

Cash Equivalents are included as AAA/Aaa rated Investments for the purpose of calculating the Minimum Rating Composition Test and shall not be considered as a Single Obligor Exposure for the purpose of calculating the Maximum Single Obligor Concentration Tests (i.e. they are not subject to the Investment Purchase Test Maximum Single Obligor Concentration Tests or Portfolio Parameter Maximum Single Obligor Concentration Tests). With the exception of Investments in commercial paper which shall be considered for the purpose of calculating the Single Obligor Concentration Tests. Cash Equivalents are however included in Total Principal Portfolio Value for the purpose of all Investment Purchase Criteria and Portfolio Parameter Tests where applicable.

Financing Transactions

Financing Transactions are Investments which benefit from external liquidity and/or specific credit enhancement and which meet certain criteria as agreed with the Rating Agencies from time to time. Financing Transactions may comprise a single security or multiple component parts.

Financing Transactions may include (i) an underlying security (which when being considered as part of a Financing Transaction, does not need to meet the Investment Purchase Criteria as an individual Investment) and credit protection purchased through a credit default swap, total return swap or similar instrument and (ii) an Investment under a repurchase agreement (or similar instrument) where the Issuer has exposure to an Investment with the benefit of over collateralisation (as a result of the purchase price under the repurchase agreement (or similar instrument) being less than the initial Market Value of the Investment) as agreed under the repurchase agreement (or similar instrument) and such agreement provides for the Issuer a commitment to sell such Investment back to the counterparty at a later point in time.

Financing Transactions are either:

a) Warehousing Transactions

b) Negative Basis Transactions

c) Reverse Repos

The definition of Financing Transactions may be extended or amended with Rating Agency Approval.

Warehousing Transactions

Are a portfolio of financial obligations selected by an investment bank or other financial institution, which, through over-collateralisation or other support, have a public, shadow or implied rating as assigned using an agreed methodology, which the Issuer takes economic exposure to either by purchasing such obligations, or synthetically by entering into total return swaps (or other similar instruments).

Negative Basis Transactions

Are packages comprising underlying debt securities and bought CDS protection where loss will only occur following the joint default of both the underlying debt security and the CDS protection seller. The following rules shall apply:

a) The underlying debt security alone does not need to meet the Investment Purchase Criteria, in particular such debt security may be a security issued by a corporate issuer

b) The underlying debt security needs to be rated at least BBB-/Baa3 at the time of purchase

c) The Protection Seller must be rated at least A-/A3 at the time of purchase

The Issuer takes economic exposure either by purchasing such package, or synthetically by entering into total return swaps (or other similar instrument).

Reverse Repo

The Issuer will purchase a debt security under a Repo contract with the agreement to sell the Investment back at a future point in time (i.e. the seller will be obliged to repurchase the debt security). The Issuer will purchase the debt security at a haircut to its then market value and

will thus benefit from overcollateralisation. The Issuer will have a margin agreement with the seller and has a right to receive margin if the Market Value of the debt security falls.

Maximum Non AAA Rated CDO Investment at Point of Purchase Test	Defines the maximum percentage of Total Principal Portfolio Value which may comprise CDO Investments which are not AAA rated (calculated as the principal amount outstanding of CDO Investments which are not AAA rated divided by the Total Principal Portfolio Value).

	Maximum
Maximum % of Non AAA rated CDO Investments	[15.0]%

Maximum Legal Final Maturity of Investments at Point of Purchase Test	Defines the maximum percentage of Total Principal Portfolio Value which may comprise Investments with a Legal Final Maturity greater than 35 years (or greater than 100 years if the Investment is an RMBS or CDO of ABS Investment) from the date of purchase (calculated as the principal amount outstanding of Investments with a Legal Final Maturity greater than 35 years (or greater than 35 years for RMBS (all Global RMBS Investments) or CDOs of ABS (Structured Finance CDO Investments)) divided by the Total Principal Portfolio Value). All Investments with a Legal Final Maturity not greater than 35 years (or not greater than 100 years for RMBS or CDO of ABS Investments) from the date of purchase shall pass the Maximum Legal Final Maturity at Point of Purchase Test. Potential Investments with an Legal Final Maturity in excess of the limits outlined above shall only pass if, after giving effect to the Investment purchase, no greater than [5]% of the Investment Portfolio comprises Investments with a Legal Final Maturity of greater than 35 years (or 100 years for RMBS or CDO of ABS Investments), or otherwise as agreed with the Rating Agencies. Investments which are Cash Equivalents are exempt from the Maximum Legal Final Maturity of Investments at Point of Purchase Test The limit for this category is shown below:

	Maximum
Maximum % of Investments with an Legal Final Maturity greater than 35 years (or greater than 100 years for RMBS or CDO of ABS Investments)	5.0%

Maximum Expected Final Maturity of Investments at Point of Purchase Test	Defines the maximum percentage of Total Principal Portfolio Value which may comprise Investments with an Expected Final Maturity greater than 15 years from the date of purchase but less than 20 years from the date of purchase (calculated as the principal amount outstanding of Investments with a Expected Final Maturity greater than 15 years but less than 20 years divided by the Total Principal Portfolio Value). All Investments with an Expected Final Maturity not greater than 15 years from the date of purchase shall pass the Maximum Expected Final Maturity at Point of Purchase Test, with the exception of Synthetic Investments, the Expected Final Maturity of which may not in any case exceed 10 years from the date of purchase. All Investments with an Expected Final Maturity greater than 20 years from the date of

	purchase shall fail the Maximum Expected Final Maturity at Point of Purchase Test. Potential Investments (except Synthetic Investments) with an Expected Final Maturity of greater than 15 years (but less than 20 years) from the date of purchase shall only pass if, after giving effect to the Investment purchase, not greater than 5% of the Investment Portfolio comprises Investments with an Expected Final Maturity of greater than 15 years, or otherwise as agreed with the Rating Agencies. Investments which are Cash Equivalent are exempt from the Maximum Expected Final Maturity of Investments at Point of Purchase Test. The limit for this category is shown below:

	Maximum
Maximum % of Investments with an Expected Final Maturity greater than 15 years (excluding Synthetic Investments)	5.0%

Expected Final Maturity	Expected Final Maturity is the date of the final expected principal payment on the Investment, as calculated in accordance with market convention, utilising the market's long-term prepayment expectations for the Investment.
Maximum Investment Weighted Average Life at Point of Purchase Test	Defines the maximum percentage of Total Principal Portfolio Value which may comprise Investments with a Weighted Average Life greater than 10 years from the date of purchase but less than 15 years from the date of purchase (calculated as the principal amount outstanding of Investments with a Weighted Average Life greater than 10 years but less than 15 years divided by the Total Principal Portfolio Value). All Investments with a Weighted Average Life not greater than 10 years from the date of purchase shall pass the Maximum Investment Weighted Average Life at Point of Purchase Test. All Investments with a Weighted Average Life greater than or equal to 10 years from the date of purchase shall fail the Maximum Investment Weighted Average Life at Point of Purchase Test. Potential Investments with a Weighted Average Life of greater than 10 years (but less than 15 years) from the date of purchase shall only pass if, after giving effect to the Investment purchase, not greater than 5% of the Investment Portfolio comprises Investments with a Weighted Average Life of greater than 10 years, or otherwise as agreed with the Rating Agencies. Investments which are Cash Equivalents are exempt from the Maximum Investment Weighted Average Life at Point of Purchase Test The limit for this category is shown below:

	Maximum
Maximum % of Investments with WAL greater than [12] years	5.0%

Weighted Average Life of Investment	With regard to all Investments included in the Investment Portfolio, the remaining Weighted Average Life as calculated in accordance with market convention, utilising the market's long-term prepayment expectations for the Investment.

Maximum Investment Portfolio Weighted Average Life at Point of Purchase Test	Defines the maximum Weighted Average Life of the Investment Portfolio. The limit for this category is shown below:

	Maximum
WAL (in years)	7.0

Weighted Average Life of the Investment Portfolio	The Weighted Average Life of the Investment Portfolio is the weighted average of the Weighted Average Life of the individual Investments in the Investment Portfolio (using the the principal amount outstanding of the Investment divided by the Total Principal Portfolio Value to determine the weighting for each Investment).
Maximum Non-Public or Non-Shadow Rating Test	Defines the maximum percentage of Total Principal Portfolio Value which is not public or shadow rated by S&P. S&P will permit a maximum of 5% of the Total Principal Portfolio Value to be notched. Individual Investments which are not public or shadow rated by S&P may be notched for a maximum of 3 months from the point of purchase before a shadow rating has to be established. Investments which are not publicly or shadow rated by S&P (and where S&P are not in the process of determining a shadow rating) shall be considered Ineligible Investments following the expiry of a 2 month period. However, if, after 2 months following a request by the Investment Manger for a shadow rating, S&P have not provided a shadow rating and are in the process of establishing such rating, the Investment shall continue to be notched until such time that S&P can either establish a shadow rating or conclude that the Investment shall not be shadow rated by S&P at such time. S&P have no limit on the amount of shadow rated Investments included in the portfolio. The limit for this category is shown below:

	Maximum
Maximum % not publicly or shadow rated by S&P (*For a maximum of [3] months)	5.0%*

Maximum Single Obligor at Point of Purchase Tests	Shall comprise two Investment Purchase Criteria: a) Maximum Single Obligor at Point of Purchase Test - % of Total Principal Portfolio Value b) Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value A full explanation of the Maximum Single Obligor Concentration Tests is given in the Portfolio Parameters section below. Single Obligor are classified as either Normal or Exceptional as described below.

Maximum Single Obligor at Point of Purchase Test - % of Total Principal Portfolio Value	For each Single Obligor Group, the Maximum Single Obligor at Point of Purchase Test - % of Total Principal Portfolio Value: a) defines the maximum Single Obligor Group Exposure with respect to Individual Deemed Rating Categories as a % of Total Principal Portfolio Value; and b) defines the maximum Single Obligor Group Exposure with respect to the Overall Deemed Rating Category as a % of Total Principal Portfolio Value.

Deemed Rating Category	Maximum Exposure Normal Obligors	Maximum Exposure Exceptional Obligors
Overall	[4.0%]	[8.0%]
AAA	[4.0%]	[8.0%]
AA	[2.0%]	[4.0%]
A	[0.5%]	[1.0%]

Maximum Single Obligor at Point of Purchase Test - % Adjusted Net Asset Value	The Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value must be satisfied having given effect to the Investment purchase. For each Single Obligor Group, the Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value defines the maximum Single Obligor Group Exposure with respect to the Overall Deemed Rating Category as a percentage of the Adjusted NAV

Single Obligor Groups	Maximum Exposure Normal Obligors	Maximum Exposure Exceptional Obligors
Largest Single Obligor Group Exposure	[100%]	[100%]
Sum of two largest Single Obligor Group Exposures excluding AAA Investments	[100%]	[100%]
Sum of three largest Single Obligor Group Exposures excluding AAA & AA Investments	[100%]	[100%]

Maximum Synthetic Investments at Point of Purchase Test	Defines the maximum percentage of Total Principal Portfolio Value which may comprise Synthetic Investments which (calculated as the principal amount outstanding of Synthetic Investments divided by the Total Principal Portfolio Value). The limit for this category is shown below:

	Maximum
Maximum % Synthetic Investments	35.0%

Investment Holding Criteria	On each Business Day, each Investment must comply with the following criteria or the entire Investment will be considered an Ineligible Investment: (a) Each Investment must comply with (b), (c), (d), (e), (f), (g), (i), (j) and (k) of the Investment Purchase Criteria. The Investment Purchase Criteria shall be tested according to the rules on such Business Day (e.g. the Eligible Currencies shall be as agreed on such Business Day not on the day such Investment was added to the Investment Portfolio) (b) If an Investment does not have a S&P public or shadow rating after the specified [2]

month period from the purchase date and unless the absence of an S&P public or shadow rating is due to a failure of S&P to provide such a rating within the agreed timeline, the entire Investment will be considered an Ineligible Investment.

Eligible Investments	Investments which, on each Business Day, comply with the Investment Holding Criteria with a 5 Business Day cure period.
Ineligible Investments	Investments which, on each Business Day, fail to comply with the Investment Holding Criteria after a 5 Business Day cure period and which have a public rating of below BB-/Ba3 for S&P/Moody's respectively. Ineligible Investments are fully capitalised for the purpose of calculating the Major and Minor Capital Adequacy Tests. For the purpose of calculating the Portfolio Parameter Tests, Ineligible Investments are included (as for Eligible Investments) in the denominator of each Portfolio Parameter Tests, but are excluded from the numerator for each such Test.
Portfolio Parameter Tests	The Portfolio Parameter Tests are calculated on each Business Day with regard to the principal amount outstanding of each Investment (with the exception of the Maximum Net Positive Hedge Counterparty Exposure Test, which is calculated with regard to the market value of Hedge Counterparty Exposure). For each individual test, there are Operational and Eligible limits (where only Eligible Limits are shown, the Operational Limit equals the Eligible Limit). Breach of the Operational and/or Eligible Limit of any Portfolio Parameter Test will result in additional capital charges which increase the capital requirement of the vehicle. The following tests constitute the Portfolio Parameter Tests: a) Maximum Single Obligor Concentration Test - % of Total Principal Portfolio Value b) Maximum Single Obligor Concentration Test - % of Adjusted Net Asset Value c) Minimum Rating Composition Test d) Investment Class Concentration Test e) Sector Concentration Test f) Insurer Guaranteed Structured Finance Securities Test g) Key Country Concentration Test h) Currency Concentration Test i) Maximum % Fixed Rate Securities Test j) Maximum Servicer Exposure Test k) Maximum Net Positive Hedge Counterparty Exposure Test
Operational Limits	The Operational Limits within the Portfolio Parameter Tests serve as a set of "soft" limits. Failure to comply with these tests shall act as an early warning to the Investment Manager and shall result in an increased Non-Operational Capital Charge.
Eligible Limits	The Eligible Limits within the Portfolio Parameter Tests serve as a set of "hard" limits. Failure to comply with these tests shall incentivise the Investment Manager to realign the Investment Portfolio through the application of an increased Eligible Capital Charge.
Non-Operational Capital Charge	Where an Investment or group of Investments are in breach of the Operational Limit of a Portfolio Parameter Test, such Investment(s) shall incur additional capital charges in excess of the normal capital charges. Such additional capital charges shall be charged pro-rata across all Investments in breach of the Operational Limit such that the principal amount outstanding of the Investments which incurs the Non-Operational Capital Charge as a percentage of Total Principal Portfolio Value equals the percentage breach of the Operation Limit (as a

percentage of Total Principal Portfolio Value).

The Non-Operational charge results in a higher Investment Capital Requirement by multiplying the Base Capital Requirement by a factor of 1.1.

For the avoidance of doubt, where Investments are in breach of both the Operational and Eligible Limits of a Portfolio Parameter Test, only the percentage breach in excess of the Operational Limit but below the Eligible Limit shall incur Non-Operational Capital Charges. Investments, or groups of Investments which breach the Eligible Limit of a Portfolio Parameter Test incur Eligible Capital Charges.

Eligible Capital Charge

Where an Investment, or group of Investments are in breach of the Eligible Limit of a Portfolio Parameter Test, such Investment(s) shall incur additional capital charges in excess of the normal capital charges. Such additional capital charges shall be charged pro-rata across all Investments in breach of the Eligible Limit such that the of the Investments which incurs the Eligible Capital Charge as a percentage of Total Principal Portfolio Value equals the percentage breach of the Eligible Limit (as a percentage of Total Principal Portfolio Value).

The Eligible Capital Charge results in a full capitalisation of the specified percentage of the principal amount outstanding of the Investment.

Additional Capital Requirement implication of multiple Portfolio Parameter breaches

In cases where multiple Portfolio Parameter Tests are breached, the total additional capital charge shall depend on the nature and severity of such breaches, whether such breach relates to the Eligible Limits or the Operational Limits, and the particular combination of Portfolio Parameter Tests that have been breached and may be less than the sum of the individual additional capital charges that would result if each Portfolio Parameter Test were breached independently.

Maximum Single Obligor Concentration Tests

Shall comprise two Portfolio Parameter Tests:

a) Maximum Single Obligor as % of Total Principal Portfolio Value Test

b) Maximum Single Obligor as % of Adjusted Net Asset Value Test

The Maximum Single Obligor Concentration Tests examine the exposure of the Investment Portfolio to Single Obligors. Single Obligors are entities responsible for the payment of interest and repayment of principal on Cash Investments, or in the case of Synthetic Investments, is the Reference Entity or the issuer of a Reference Obligation. Investment with the same Single Obligor are grouped together to form Single Obligor Groups such that exposure to these Single Obligors may be considered.

Each Investment in the Investment Portfolio belongs to a designated Single Obligor Group (with the exception of Master Trust Securities, which belong to two Single Obligor Groups). Single Obligor Groups can be formed either on the basis of the issuer of Investments included in the Investment Portfolio or the Guarantor of such Investments.

Investments which are Master Trust Securities are considered to belong to two Single Obligor Groups for the purpose of the Maximum Single Obligor Tests. Investments which are issued by the same Master Trust entity form part of the Single Obligor Group of such Master Trust vehicle, the "Overall Master Trust Group" and such Single Obligor Group is tested for compliance with the Exceptional Single Obligor Limits.

In addition, each Master Trust Security forms part of a Single Obligor Group considering the particular series of the Master Trust from which such Investments was issued "Single Issue of a Master Trust Group". Such Single Obligor Group is tested for compliance with the Normal Single Obligor Limits.

Single Obligor Group Exposure is calculated as described below and this exposure is compared to either the Total Principal Portfolio Value or Adjusted NAV as applicable in order to monitor compliance with the limits agreed with the Rating Agencies.

Each Single Obligor is either a Normal or Exceptional Single Obligor. Different Single

Obligor Group Exposure limits are in place for Single Obligor Groups issued/guaranteed by Normal and Exceptional Single Obligors.

With the exception of any investment in commercial paper, Cash Equivalents shall not be considered as a Single Obligor Exposure for the purpose of calculating the Maximum Single Obligor Concentration Tests (i.e. neither the Investment Purchase Criteria or the Portfolio Parameter Maximum Single Obligor Concentration Tests). All Cash Equivalents are however included in Total Principal Portfolio Value for the purpose of all Maximum Single Obligor Concentration Tests.

In such case where there are Investments in the Investment Portfolio which are issued by a Single Obligor and also Investments which are guaranteed by the same entity, for the purpose of the Maximum Single Obligor Tests, all such Investments shall be tested for compliance against the same Single Obligor.

Single Obligor Group	A Single Obligor Group is a group of Investments where the same entity (the "Single Obligor") is responsible for the payment of interest and repayment of principal, or in the case of a Synthetic Investment, is the Reference Entity or the issuer of a Reference Obligation. Single Obligor Groups are formed according to the following guidelines:

1) For all Investments which are not Guaranteed Securities, the Single Obligor Group for each Investment is based on the issuer of the Investment.

2) For Guaranteed Securities, the Single Obligor Group can either be the Single Obligor Group based on the issuer of the Investment or the Single Obligor Group based on the Guarantor of the Investment (at the discretion of the Investment Manager, see Deemed Exposure Group – Guaranteed Securities below).

3) For Master Trust Investments, Single Obligor Groups shall be formed based on the issuer, however each Investment shall simultaneously be included in two Single Obligor Groups:

    (a) Single Obligor Group at an Overall Master Trust Group.
    (b) Single Obligor Group for each Single Issue of a Master Trust Group.

4) For Super Senior Investments, Single Obligor Groups shall be formed based on the issuer of such Investments, however, for the purpose of the Single Obligor Concentration Tests, non-Super Senior Investments from the same issuer as the Super Senior Investments shall be considered to belong to a different issuer.

Single Obligor Group Exposure	Shall be the sum of the principal amounts outstanding of the Investments included in a Single Obligor Group unless the Single Obligor is a Guarantor or the Single Obligor Group comprises Super Senior Investments.

For Single Obligor Groups where the Single Obligor is a Guarantor, the Single Obligor Group Exposure is the sum of the principal amounts outstanding of the Investments included in the Single Obligor Group multiplied by the Guaranteed Securities Exposure Factor.

For Single Obligor Groups where the Single Obligor Group comprises Super Senior Investments, the Single Obligor Group Exposure is the sum of the principal amounts outstanding of the Investments included in the Single Obligor Group multiplied by the Super Senior Exposure Factor.

All Single Obligor Groups are tested against the Normal Single Obligor or Exceptional Single Obligor Limits depending on the Investments which comprise the Single Obligor Groups as described below. Different limits have been agreed with the Rating Agencies for the Maximum Single Obligor Concentration Tests for Normal and Exceptional Single Obligor.

Guarantor	Any insurer or any credit protection seller with respect to any Investment in the Investment Portfolio. For the avoidance of doubt, any company that acts both as a Monoline Insurer and also as a credit protection seller in relation to any securities that comprise the Investment

Portfolio will be considered one and the same company or Guarantor.

Guaranteed Securities	All Insurer Guaranteed Structured Finance Securities together with all Negative Basis Trade Securities.
Deemed Exposure Group	Where, for the purpose of the Maximum Single Obligor Concentration Tests, an Investment can potentially be included in more than one Single Obligor Group, the Investment Manger shall choose which Single Obligor Group the Investment shall be assigned for the purpose of the Maximum Single Obligor Concentration Tests. This Single Obligor Group shall be the Deemed Exposure Group for the Investment. Should the Investment Manager wish to change the Deemed Exposure Group of an Investment, such Investment may only be included in an alternative Single Obligor Group if it satisfies the Maximum Single Obligor at Point of Purchase Tests for such Single Obligor Group. For the avoidance of doubt, where there is only one possible Single Obligor Group, the Deemed Exposure Group is such Single Obligor Group.
Deemed Exposure Group – Guaranteed Securities	At any point in time, the Investment Manager will determine, with respect to all Guaranteed Securities, the Deemed Exposure Group, which will be either: a) the Single Obligor Group as defined with respect to the issuer of the underlying debt security (in the case of a Negative Basis Trade Security) or the underlying Structured Finance Security (in the case of an Insurer Guaranteed Structured Finance Security); or b) the Single Obligor Group as defined with respect to the Guarantor. For the avoidance of doubt, the Deemed Exposure Group will only be permitted to be the Single Obligor Group as described in (a) if the underlying debt security, or the underlying Structured Finance Security as applicable, satisfies Maximum Single Obligor at Point of Purchase Tests for such Single Obligor Group. Where the Deemed Exposure Group is deemed to be the Single Obligor Group as defined in (a), then for the purpose of the Maximum Single Obligor Concentration Tests, the Guaranteed Security will be considered not to be guaranteed by the Insurer or Guarantor, and the Deemed Rating of the Guaranteed Security will be considered to be the Deemed Rating of the underlying debt security or the underlying Structured Finance Security (i.e. the Deemed Rating does not benefit from any guarantee or protection). For the avoidance of doubt, such Guaranteed Securities will not be taken into consideration in the determination of the Single Obligor Group with respect to the Guarantor, for the purpose of the Maximum Single Obligor Concentration Tests. Where the Deemed Exposure Group is deemed to be the Single Obligor Group as defined in (b) above, then for the purposes of the Maximum Single Obligor Concentration Tests, the Deemed Rating of the Guaranteed Security will be the Deemed Rating of the ultimate guaranteed or insured product (and the rating of the underlying Structured Finance Security or the underlying debt security will not be considered). For the avoidance of doubt, this security will not be taken into consideration in the determination of the Single Obligor Group with respect to the underlying debt security (in the case of a Negative Basis Trade Security) or the underlying Structured Finance Security (in the case of an Insurer Guaranteed Structured Finance Security), for the purpose of the Maximum Single Obligor Concentration Tests. Where the Investment Manager wishes to change the Deemed Exposure Group of an existing Investment in the Investment Portfolio, this switch will only be permitted to the extent that the new Deemed Exposure Group would satisfy the Maximum Single Obligor at Point of Purchase Tests at that time.
Super Senior Investment	A AAA/Aaa rated Investment which is structurally senior to a AAA/Aaa rated Structured Finance investment. The Deemed Rating category of the Super Senior Exposure will be

deemed to be AAA/Aaa subject to Rating Agency Approval.

Guaranteed Securities Exposure Factor	The Guaranteed Securities Exposure Factor will be determined by reference to the Deemed Rating on the underlying Structured Finance Security or the underlying debt security. Where the Deemed Rating on the underlying Structured Finance Security or the underlying debt security cannot be determined, the Guaranteed Securities Exposure Factor will be 1. For the avoidance of doubt, the Guaranteed Securities Exposure Factor shall be set at 1 post the Closing Date until otherwise agreed with the Rating Agencies.
Super Senior Exposure Factor	The Super Senior Exposure Factor for any given Super Senior Investment will be 1 minus the Factored Recovery Rate, where the Factored Recovery Rate is the applicable recovery rate as determined by reference to Rating Agency tables multiplied by a factor of [•]. The Super Senior Securities Factor shall be set at 1 at Closing and until otherwise agreed with the Rating Agencies.
Exceptional Single Obligors	Single Obligor where: a) the Single Obligor is a Guarantor and the Investments are AAA rated; b) the Single Obligor Group comprises AAA rated Super Senior Investments; c) the Single Obligor Group comprises Government Agency Securities; or d) the Single Obligor Group is at an Overall Master Trust Group For the avoidance of doubt, Single Issues of a Master Trust shall also be tested as Normal Single Obligor Group as described below.
Normal Single Obligors	All Single Obligor apart from the above listed Exceptional Single Obligor.
Government Agency Securities	Shall include AAA rated Fannie Mae, Freddie Mac, Ginnie Mae and Sallie Mae securities.
Master Trust Securities	Structured Finance bonds issued using a Master Trust structure. Different bonds which may or may not be issued by the same SPV will usually share a common group of underlying assets.
Overall Master Trust Group	An Overall Master Trust Group is made up of different issues from the same Master Trust where the performance of the different series is dependant on the performance of a common pool of underlying Investments. Each Overall Master Trust Group shall be classified as a Single Obligor Group. The Single Obligor Group Exposure to the Overall Master Trust Group will be subject to the Exceptional Single Obligor limits.
Single Issue of a Master Trust Group	Each Single Issue of a Master Trust (where either a different SPV has been used for each issue, or, where the issuance date of each issue is different) shall be considered a Single Obligor Group and will be treated as a Normal Single Obligor Group. For the avoidance of doubt, each Master Trust Security is included in two Single Obligor Groups and is tested twice in the Single Obligor Concentration Tests, once by considering the Single Obligor Group Exposure of the Overall Master Trust Group and also by considering the Single Obligor Group Exposure of each Single Issue of a Master Trust Group.
Deemed Rating	The Deemed Rating for each of the Rating Agencies (the "Applicable Rating Agency") for each Investment shall be: a) The public rating assigned by the Applicable Rating Agency or, if no public rating exists; b) The shadow rating assigned by the Applicable Rating Agency or the rating confirmed by the Applicable Rating Agency as the Deemed Rating for these purposes or, if no public or shadow rating exists; c) The lower of the rating derived from public ratings by either the other Rating Agency or Fitch, using the notching rules then in place for the Applicable Rating Agency for that

asset class and rating.

d) If the Investment is wrapped by a Monoline Insurer, the rating of the Monoline Insurer.

For the avoidance of doubt, Investment Purchases for which the Deemed Rating shall be sourced through (c) will have to comply with the Investment Purchase Criteria relating to the Maximum Non-Public or Non-Shadow Rated Test.

Deemed Rating of the underlying debt security of a Guaranteed Security	The Deemed Rating for an underlying Structured Finance Security that is a constituent part of a Structured Finance Guaranteed Security will be determined as follows: a) The public rating assigned by the Applicable Rating Agency or, if no public rating exists; b) The shadow rating assigned by the Applicable Rating Agency or the rating confirmed by the Applicable Rating Agency as the Deemed Rating for these purposes or, if no public or shadow rating exists; c) The lower of the rating derived from public ratings by either the other Rating Agency or Fitch, using the notching rules then in place for Applicable Rating Agency for that asset class and rating; or d) The rating that is one notch above the public or shadow rating assigned by the Applicable Rating Agency, to the tranche that is immediately subordinated to the tranche of the security being purchased.
Deemed Rating Categories - Maximum Single Obligor Concentration Test - % of Total Principal Portfolio Value	For the purpose of the Maximum Single Obligor Test - % Total Principal Portfolio Value, Investments within each Single Obligor Group shall be grouped into defined Deemed Rating Categories and considered against the Deemed Rating Category specific test limits as agreed with the Rating Agencies. Single Obligor Group Exposure is examined with respect to "Individual Deemed Rating Categories" and an "Overall Deemed Rating Category". Single Obligor Group Exposure with respect to: a) Individual Deemed Rating Categories considers the Single Obligor Group Exposure where the Single Obligor Group includes only Investments of a certain Deemed Rating (e.g. AA/Aa). b) the Overall Deemed Rating Category considers the Single Obligor Group Exposure where the Single Obligor Group includes all relevant Investments (regardless of Deemed Rating).
Deemed Rating Categories - Maximum Single Obligor Concentration Test - % of Adjusted NAV	Individual Single Obligor Group Exposure and groups of Single Obligor Group Exposure excluding certain Investments with specified Deemed Ratings are examined and compared to the Adjusted Net Asset Value. The following Deemed Ratings Categories are examined against the Adjusted NAV: a) The largest Single Obligor Group Exposure, including all Investments of such Single Obligor regardless of the Deemed Rating of such Investments; b) The two largest Single Obligor Group Exposures excluding AAA rated Investments; c) The three largest Single Obligor Group Exposures excluding AAA & AA rated Investments; and d) The five largest Single Obligor Group Exposures excluding AAA, AA and A rated Investments.
Principal amount outstanding of Reference Obligation	The principal amount outstanding of the Reference Obligation, were the Reference Obligation (as defined in the relevant CDS) held in cash form (a Cash Investment).
Adjusted Net Asset Value	Adjusted Net Asset Value of the Capital Notes, which shall be used as the denominator of the

(Adjusted NAV)	Maximum Single Obligor as % of Adjusted Net Asset Value Test, is calculated as follows: Adjusted NAV = I + H + S – L – U – CD where: I = sum of Market Value of Cash Investments H = sum of Market Value of Hedge Counterparty Exposures S = sum of Market Value of CDS (for all but USNTID CDS, see Synthetics Section XI for further details) L = Effective Notional Value of the Senior Funding U = sum of ((Market Value of CDS * CPTY DR) – ((EL * 100/70) * (1 – CPTY DR))) Where CPTY DR and EL are defined in the Major Capital Adequacy Test CD = is the maximum amount of breakage fee payable at any time for the withdrawal of Breakable Deposits For the avoidance of doubt, the Adjusted NAV calculation includes the full Market Value of Repo Investments (Investments which are transferred to Repo Counterparties or Committed Repo Counterparties under Repo Transactions) and also any cash which is posted to the Repo Counterparties or Committed Repo Counterparties under margin calls.
Maximum Single Obligor Concentration Test - % of Total Principal Portfolio Value	The Maximum Single Obligor Concentration Test - % of Total Principal Portfolio Value: a) defines the maximum Single Obligor Group Exposure with respect to Individual Deemed Rating Categories as a % of Total Principal Portfolio Value; and b) defines the maximum Single Obligor Group Exposure with respect to the Overall Deemed Rating Category as a % of Total Principal Portfolio Value. Operational and Eligible limits for this category are shown below:

	Maximum Exposure Normal Obligors		Maximum Exposure Exceptional Obligors	
Deemed Rating Category	Max Eligible Limit	Max Operational Limit	Max Eligible Limit	Max Operational Limit
Overall	[4.0%]	[4.0%]	[8.0%]	[8.0%]
AAA	[4.0%]	[4.0%]	[8.0%]	[8.0%]
AA	[4.0%]	[4.0%]	[8.0%]	[8.0%]
A	[4.0%]	[2.0%]	[8.0%]	[4.0%]
BBB	[2.0%]	[0.5%]	[4.0%]	[1.0%]
BB	[0.5%]	NR	[1.0%]	NR

Maximum Single Obligor Concentration Test - % of Adjusted Net Asset Value	The Maximum Single Obligor Concentration Test - % of Adjusted Net Asset Value defines the maximum Single Obligor Group Exposure with respect to the Deemed Rating Categories outlined in the table below as a percentage of the Adjusted NAV.

Deemed Rating Category	Maximum Exposure Max Eligible Limit
Largest Single Obligor Group Exposure	[100%]
Two largest Single Obligor Group Exposures excluding AAA rated Investments	[100%]
Three largest Single Obligor	[100%]

Group Exposures excluding AAA & AA rated Investments	
Five largest Single Obligor Group Exposures excluding AAA, AA & A rated Investments	[100%]

Minimum Rating Composition Test

Defines the minimum concentration within each Deemed Rating category as measured by reference to the sum of the principal amount outstanding all Investments in each Deemed Rating category (considering each Rating Agency separately), divided by Total Principal Portfolio Value.

Cash Equivalents are included as AAA/Aaa rated Investments for the purpose of calculating the Minimum Rating Composition Test

Where the Investment is a Guaranteed Investment, the Deemed Rating for the purpose of the Minimum Rating Composition Test shall be the Deemed Rating of the ultimate guaranteed or insured product, and the rating of the underlying Structured Finance Security or the underlying debt security will not be considered, regardless of which Deemed Rating is considered for the purpose of the Single Obligor Tests.

Operational and Eligible limits for this category are shown below:

Deemed Rating category	Minimum Eligible Limit	Minimum Operational Limit
AAA	[40%]	[50%]
AA to AAA	[60%]	[75%]
A to AAA	[80%]	[90%]
BBB to AAA	[85%]	[95%]
BB to AAA	[90%]	[100%]

Investment Class Concentration Test

Defines the maximum concentration to each Investment Class as defined by reference to the sum of the principal amount outstanding of all Investments in an Investment Class category divided by Total Principal Portfolio Value.

Operational and Eligible limits for this category are shown below:

Investment Class Category	Max Eligible Limit	Max Operational Limit
Structured Finance *	[100%]	[100%]
Financing Transactions	[35%]	[30%]
Sovereign, Supranational & U.S. Government Agencies	[100%]	[100%]
Financial Institutions * *	[0%]	[0%]
Corporates	[0%]	[0%]

*including Insurer Guaranteed Structured Finance
**excluding Insurer Guaranteed Structured Finance

Sector Concentration Test

Defines the maximum concentration to each Sector category within the Structured Finance Investment Class Category as defined by reference to the sum of principal amount outstanding all Investments in a particular Sector category divided by Total Principal Portfolio Value.

For the avoidance of doubt, Investments included in the various Sector categories can also be Insurer Guaranteed Structured Finance Securities. For the purpose of the Sector

Concentration Test, the Sector of the underlying Investment is considered.

Where the Sector categories are further broken down into sub-categories (e.g. Global CDOs and Global RMBS), these tests shall be know as "Sub-Sector Concentration Tests". For the avoidance of doubt, these tests define the maximum concentration to each Sub-Sector category within the Structured Finance sector as defined by reference to the sum of the principal amount outstanding of all Investments in a particular Sub-Sector category divided by Total Principal Portfolio Value as defined above. Each Investment shall be included in the Sector Concentration Test and, where appropriate, the Sub-Sector Concentration Test (e.g. CLO Investments shall be included in both the Global CDO Sector Concentration Test and the CLO specific Sub-Sector Concentration Test).

Operational and Eligible limits for these categories are shown below:

Sector Category	Max Eligible Limit	Max Operational Limit
Global CDOs	[40%]	[35%]
CLOs	[40%]	[35%]
Structured Finance CDOs	[20%]	[17.5%]
HY CBOs	[20%]	[17.5%]
Emerging Market CDOs	[5%]	[4%]
Single Tranche Synthetic CDO	[5%]	[4%]
Synthetic CDO (excluding Single Tranche)	[10%]	[8%]
Trust Preferred CDOs	[5%]	[4%]
Balance Sheet CDOs	[25%]	[22.5%]
SME CDOs	[25%]	[22.5%]
Other	[8%]	[6%]
CMBS	[50%]	[40%]
Single Property	[20%]	[17.5%]
Conduit	[30%]	[25%]
Large Loan	[40%]	[35%]
Credit Tenant Lease	[10%]	[8%]
Other	[8%]	[6%]
Consumer ABS	[60%]	[50%]
*Non-Sallie Mae Student Loans**	[40%]	[35%]
*Sallie Mae Student Loans**	[40%]	[35%]
Credit Cards	[30%]	[25%]
Charged off Cards (i.e. non performing)	[5%]	[4%]
Auto Loans	[30%]	[25%]
Auto Sub-Prime	[5%]	[4%]
Consumer Loans	[30%]	[25%]
Other	[5%]	[4%]
* Non-Sallie Mae Student Loans and Sallie Mae Student Loans combined are subject to an operational limit of 35% and an eligible limit of 40%		
Global RMBS**	[55%]	[45%]

Prime RMBS	[50%]	[40%]
Home Equity Loans	[40%]	[35%]
HELOC	[20%]	[17.5%]
Non-Prime RMBS	[40%]	[35%]
Manufactured Housing	[5%]	[4%]
Other	[8%]	[6%]
**Subject to a Maximum 50% U.S. exposure		
Corporate ABS	[50%]	[40%]
Trade Receivables	[10%]	[8%]
Lease Backed	[10%]	[8%]
Aircraft Loans/Leases	[10%]	[8%]
Whole Business	[10%]	[8%]
Other	[8%]	[6%]
Other	[5%]	[4%]
Monoline wrapped Global RMBS	[30%]	[25%]

Insurer Guaranteed Structured Finance Securities Test

Defines the maximum concentration to Insurer Guaranteed Structured Finance Securities as defined by the principal amount outstanding of Structured Finance Securities which are Insurer Guaranteed divided by the Total Principal Portfolio Value.

Operational and Eligible limits for this category are shown below:

Category	Max Eligible Limit	Max Operational Limit
Insurer Guaranteed SF Securities	[65%]	[50%]

Key Country Concentration Test

Defines the maximum concentration to each Key Country of Investment as defined by reference to the sum of the principal amount outstanding of all Investments in a Key Country of Investment category divided by the Total Principal Portfolio Value.

Operational and Eligible limits for this category are shown below:

Key Country of Investment Category	Max Eligible Limit	Max Operational Limit
U.S.A	*[100%]*	*[100%]*
European	*[100%]*	*[100%]*
-Non-Defined Pan-European*	[25%]	[25%]
-Euro Cash	[25%]	[25%]
-France	[50%]	[50%]
-Germany	[50%]	[50%]
-Italy	[50%]	[50%]
-Spain	[50%]	[50%]
-UK	[50%]	[50%]
-Austria	[25%]	[25%]
-Belgium	[25%]	[25%]
-Denmark	[25%]	[25%]
-Finland	[25%]	[25%]
-Greece	[10%]	[10%]
-Ireland	[25%]	[25%]
-Luxembourg	[25%]	[25%]

-Netherlands	[25%]	[25%]
-Norway	[25%]	[25%]
-Portugal	[25%]	[25%]
-Sweden	[25%]	[25%]
-Switzerland	[25%]	[25%]
Rest of World	*[25%]*	*[25%]*
-Non-Defined Rest of the World	[25%]	[25%]
-Australia	[25%]	[25%]
-Canada	[25%]	[25%]
-Japan	[25%]	[25%]
-New Zealand	[10%]	[10%]
-Singapore	[10%]	[10%]
-Hong Kong	[10%]	[10%]
-Korea	[10%]	[10%]
*Including only countries which are listed under *European*		

Key Country of Investment

Eligible Jurisdictions shall be any country with a foreign currency sovereign rating of at least AA-/Aa3, or any other country in respect of which the Rating Agencies have confirmed the country's treatment as an "Eligible Jurisdiction". For the avoidance of doubt, all countries listed with Operational and Eligible Limits in the above table are Eligible Jurisdictions.

Key Countries of Investment shall be defined as:

a) For Sovereign Securities, the country in question.

b) For Supranational Securities, shall be classified as "Supranational" and Investments in Supranational Securities will be subject to the Investment Class Concentration Test.

c) For Structured Finance Securities (including both Cash and Synthetic exposures) either (i) the country or region within which, in the reasonable commercial judgement of the Investment Manager, the majority of the Relevant Exposure with respect to such Structured Finance Security is located; or (ii) where the Investment Manager is unable to determine the Relevant Exposure it shall consult the Rating Agencies to determine the relevant jurisdiction.

d) Investments where the Relevant Exposure is to both USA and Europe will be classified under either the USA or Pan European category depending on the largest regional concentration as determined in the reasonable commercial judgement of the Investment Manager.

e) Investments (e.g. CDOs) where the Relevant Exposure is to several jurisdictions shall be classified as Non-Defined Rest of the World or Non-Defined European as applicable (e.g. multiple assets from across Europe which are included in a CLO).

f) Any cash held by the issuer will be assigned according to the country of issuance of that currency (Euro-denominated cash shall be assigned to the Pan-European country group).

Relevant Exposure

Shall mean the underlying assets which produce the cash flows on which payments to holders of a Structured Finance Security depend are derived, or, where such payments depend on the cash flow from a credit swap linked to a portfolio of assets or entities, such assets. Any determination by the Investment Manager of the location of the Relevant Exposure will be based on the reasonable commercial judgement of the Investment Manager on any portfolio parameters applicable in relation to such Structured Finance Security and on the assumption that such parameters are to be complied with to the maximum extent permitted.

Currency Concentration Test — Defines the minimum or maximum concentration to each Currency as defined by reference to the sum of the principal amounts outstanding of all Investments in a Currency divided by Total Principal Portfolio Value.

Operational and Eligible limits for this category are shown below :

Category	Eligible Limit	Operational Limit
USD (Minimum)	[75%]	[75%]
EUR (Maximum)	[25%]	[25%]
GBP (Maximum)	[25%]	[25%]
Other (Maximum)	[25%]	[15%]

Eligible Currency — Shall mean one of the following currencies: U.S. Dollars, Australian Dollars, Canadian Dollars, Danish Krone, Euros, Hong Kong Dollars, Japanese Yen, New Zealand Dollars, Norwegian Krone, Pounds Sterling, Singapore Dollars, Swedish Krone, Swiss Francs or any such other currency as agreed with the Rating Agencies from time to time.

Maximum % Fixed Rate Securities — Defines the maximum percentage of Total Principal Portfolio Value which may comprise Fixed Rate Securities, calculated as defined by the sum of the principal amounts outstanding of all Investments which are Fixed Rate Securities divided by the Total Principal Portfolio Value.

The Eligible limit for this category is shown below:

	Max Eligible Limit
Maximum % Fixed Rate Securities	5.0%

Maximum Servicer Exposure Test — Defines the maximum percentage of Total Principal Portfolio Value which is serviced by the same servicer, calculated as defined by the sum of the principal amounts outstanding of all Investments which are serviced by a single servicer divided by the Total Principal Portfolio Value.

The Eligible limit for this category is shown below:

	Eligible Limit	Operational Limit
Maximum Servicer Exposure	20.0%	15.0%

Maximum Net Positive Hedge Counterparty Exposure Test — Defines the maximum net positive Hedge Counterparty Exposure with respect to Deemed Rating of the Hedge Counterparty as a % of Total Portfolio Value.

Operational and Eligible limits for this category are shown below:

	Maximum Exposure	
Hedge Counterparty Deemed Rating	Max Eligible Limit	Max Operational Limit
AAA	[4.0%]	[4.0%]
AA	[4.0%]	[4.0%]
A	[4.0%]	[2.0%]

Matched Investment To be finalised post closing	Certain Investments and Hedge Contracts fulfilling the conditions set forth below will be referred to as Matched Investments. The proportion of Investments or Hedge Contracts which fail to comply within five Business Days with any of the parameters set forth below shall cease to be treated as Matched Investments. Matched Investments will be subject to all of the Investment Purchase Criteria, Portfolio Parameter tests and the Investment Holding Criteria for Investments described herein unless otherwise specified. Matched Investments may not be included as Liquidity Eligible Investments or Potential Committed Repo Investments for the purpose of calculating the Available Liquidity for the Liquidity Tests and may not be Repo Investments.
Matched Investments Criteria	An Investment, or any portion thereof, must be cash flow matched in accordance with the following conditions to qualify as a Matched Investment: a) A Matched Liability provides funding for the Matched Investment, or a portion thereof. Either: (i) the cash flows of the Matched Liability, or a portion thereof, precisely match the cash flows of the Matched Investment, or a portion thereof, by currency, amount, date and maturity, where the term 'precisely match' will mean that the cash flows of a Matched Investment exactly equal or exceed the cash flows on the corresponding Matched Liability. Matched Investments meeting this condition will be referred to as Directly Matched Investments; or (ii) the terms of part (a) above may be varied such that the payment date of principal cash flows of the Matched Liability, or a portion thereof, may exceed the payment date of principal cash flows of the Matched Investment, or a portion thereof. Matched Investments meeting this condition will be referred to as Indirectly Matched Investments. b) The maximum amount of the Matched Investment shall be restricted to the lesser of either the Matched Investment Effective Notional or the Matched Liability Effective Notional. c) As a minimum, at the time of the Investment becoming a Matched Investment, the margin over Libor received from the Matched Investment must at least equal or exceed the margin over Libor payable on the Matched Liability. d) For the purpose only of confirming cash flow matching, a package of Matched Investments, comprising one or more Investments (and one or more associated Hedge Contracts, or portion thereof, which in combination create a synthetic U.S. Dollar Libor based Investment, will be deemed a single Matched Investment. e) A Matched Investment may not be a Repo Investment or a Potential Committed Repo Investment. f) A Matched Investment may not be included as a Liquidity Eligible Investment for the purpose of Available Liquidity when calculating the Liquidity Tests.
Matched Liability	A Matched Liability will be any Senior Debt Obligation, or portion thereof, which provides cash flow matching to a Matched Investment, or part thereof.

V. Market Sensitivity Tests

Introduction

In order to mitigate interest rate and currency risk, the Investment Manager will hedge on an Investment by Investment basis. Counterparties for interest rate and cross-currency swap hedges must meet certain requirements in agreement with the Rating Agencies. Exposures arising under Hedge contracts are, however, treated similarly to Investments and capital will be allocated against such exposures.

The Investment Manager shall carry out tests in order to:

a) Determine the sensitivity of Investments and Debt Obligations to changes in the market risk environment on each business day

b) Determine the compliance of results within the parameters detailed below

Certain Investments may be excluded from the Market Sensitivity Tests if alternative hedging strategies are agreed with the Rating Agencies.

Market Sensitivity Tests

The Market Sensitivity Tests shall include:

a) Interest Rate Exposure Compliance Tests:

   i) Parallel Yield Curve Test

   ii) Stressed Parallel Yield Curve Test

   iii) Point Yield Curve Test

   iv) Stressed Point Yield Curve Test

b) Currency Exposure Compliance Tests:

   i) Spot Foreign Exchange Test

   ii) Stressed Spot Foreign Exchange Test

Parallel Yield Curve Tests

The Parallel Yield Curve Test involves applying a parallel shift in the zero-coupon LIBOR yield curve for each Applicable Currency by simultaneously increasing and then separately simultaneously decreasing every specified point on the curve by 1.0 bps. The effect of such parallel shift must not result in the Amended Net Asset Value being more than 0.2 bps above or below Net Asset Value before such parallel shift.

The Stressed Parallel Yield Curve Test is the same as the Parallel Yield Curve Test involving a simultaneous 100 bps increase and then a separate simultaneous 100 bps decrease on every specified point on the zero-coupon LIBOR yield curve for each Applicable Currency. The effect of such parallel shift must not result in the Amended Net Asset Value being more than 20 bps above or below the Net Asset Value before such parallel shift.

The specified points on the curve for the purpose of calculating the Parallel Yield Curve Test are agreed with the Rating Agencies and ensure that this test is applied to the last expected cashflow of the longest dated Investment, Hedge Contract or Senior Funding obligation.

Point Yield Curve Tests	The Point Yield Curve Test involves separately increasing and then separately decreasing a range of specified points along the zero-coupon LIBOR yield curve for each Applicable Currency by 1.0 bp, independent of all other points. The specified points along the curve are 1, 3, 6, 9, 12, 24, 36, 48, 60, 84 and 120 months and such other independent points on the curve as will ensure that this test is applied to the last expected cashflow of the longest dated Investment, Hedge Contract or Senior Funding obligation. The effect of the point yield curve shift must not result in the Amended Net Asset Value being more than 0.2 bps above or below the Net Asset Value before such parallel shift. The Stressed Point Yield Curve Test is the same as the Point Yield Curve Test assuming a 100 bps increase and then a separate 100 bps decrease of the zero-coupon LIBOR yield curve for each Applicable Currency at each specified point along the respective curve, independent of all other points, following the same methodology as above. The effect of the stressed point yield curve shift must not result in the Amended Net Asset Value being more than 20 bps above or below the Net Asset Value before such parallel shift.
Spot Foreign Exchange Tests	The Spot Foreign Exchange Test involves individually applying a 1% upward and then a separate 1% downward percentage shift in the value of non-U.S. Dollar Applicable Currencies to the U.S. Dollar. The effect of the currency shift must not result in the Amended Net Asset Value being more than 2 bps above or below the Net Asset Value before such currency shift. The Stressed Spot Foreign Exchange Test is the same as the Spot Foreign Exchange Test involving the application of a 10% upward and then a separate 10 downward percentage shift in the value of non-U.S. Dollar Applicable Currencies to the U.S. Dollar. The effect of the currency shift must not result in the Amended Net Asset Value being more than 20 bps above or below the Net Asset Value before such currency shift.
Net Asset Value (NAV)	Net Asset Value of the Capital Notes for the purpose of the Market Sensitivity Tests, is calculated as follows: NAV = I + H – L – CD where: I = sum of Market Value of Cash Investments H = sum of Market Value of Hedge Counterparty Exposures L = Effective Notional Value of Senior Funding CD = is the maximum amount of breakage fee payable at any time for the withdrawal of Breakable Deposits For the avoidance of doubt, the NAV calculation includes CDS Collateral, the full Market Value of Repo Investments (Investments which are transferred to Repo Counterparties under Repo Transactions) and also any cash which is posted to the Repo Counterparty as margin. Note that Reference Obligations under CDS are not included in this calculation.

Amended Net Asset Value	The Amended Net Asset Value is the Net Asset Value calculated after the currency or interest rate (as appropriate) adjustment required by the specific Market Sensitivity Test. The Amended Net Asset Value Test shall be calculated: a) Incorporating the Adjustment for Spread Income (Interest Rate Exposure Compliance Tests only) b) Aggregating the dollar equivalent values resulting from the appropriate currency or interest rate movement For each Eligible Currency, updated values are calculated after the affect of the currency of interest rate adjustment. The amended values are converted into U.S. Dollars using the spot currency rate in order to calculate an Amended Net Asset Value result. For the avoidance of doubt, a separate Amended Net Asset will be calculated for each of the Market Sensitivity Tests
Adjustment for Spread Income	The Investment Manager shall adjust the Amended Net Asset Value calculated in the Interest Rate Exposure Compliance Tests by the effect of changes in the present value of the spread income of the Investment Portfolio over the Debt Obligations (defined as the difference between the spreads of the Investment Portfolio and the Debt Obligations). The Investment Manager will: a) Estimate the future development of the various components of spread income of the Investment Portfolio and the Debt Obligations b) Calculate the change in present value of the various components of spread income of the vehicle under the Interest Rate Exposure Compliance Tests c) For purposes of the Interest Rate Exposure Compliance Tests, the resulting amounts will be deducted from the calculation of the Amended Net Asset Value
Applicable Currency	A currency in which at least one Investment in the Investment Portfolio is denominated.
Market Sensitivity Test in separate Tested Currencies	The Market Sensitivity Tests shall be run separately for each Tested Currency. Failure of any Market Sensitivity Test in a separate Tested Currency shall be treated as a failure of the Market Sensitivity Test.
Tested Currency To be finalised post closing	Any currency in which the Issuer raises CP or MTNs to fund Investments denominated in such currencies. Initially, this shall only be U.S. Dollars.
Violation of Market Sensitivity Tests	In the event of non-compliance with an Interest Rate Exposure Compliance Test and/or a Currency Exposure Compliance Test, the Investment Manager shall use all reasonable efforts and take such steps as will result in compliance within five Business Days. If the Investment Manager is unable to remedy the situation within five Business Days, Restricted Funding will be initiated. Restricted Funding may be reversed if the breach of the Market Sensitivity Test is rectified, however the vehicle shall only be permitted to return to Normal Operations from Restricted Funding (which was caused by a breach of a Market Sensitivity Test) once every 10 years.
HEL Hedging Strategy	The Issuer will have the capability to purchase Home Equity Loan ABS (HELs) and Home Equity Lines of Credit ABS (HELOCs). As a result of Available Funds Caps (AFC) structure in such transactions, residual interest rate risk from interest rate caps and other interest rate features embedded in the underlying assets are passed through to investors in such deals. The Issuer will hedge such bonds using a hedging strategy agreed with the Rating Agencies to minimise this risk.

Option Adjusted Spread	The Option Adjusted Spread (OAS) of a bond is the effective spread of the bond after adjustment for the embedded interest rate optionality. In theory, the difference between a bond's coupon spread and OAS should be the cost of hedging the bond. The OAS of a bond is measured using the bond's cash flows estimation over a multitude of interest rate paths, these interest rate paths being representative of possible future interest rates. The OAS is based on the bond's average price over all the interest rate scenarios: the bond's cash flows (which take into account prepayment assumptions) are discounted using each interest rate path to give the average price of the security. The OAS is defined as the spread (constant over all the different interest rate paths) that makes the average simulated bond price equal to the current price of the bond. The size of the difference between the OAS and coupon spread is reflective of the probability and magnitude of occurrence of interest shortfalls caused by AFC.
Option Adjusted Duration	The Option Adjusted Duration (OAD) reflects the change in the bond's price in relation to a change in interest rates, using the OAS as a constant discount margin to the bond's future cash flows in all interest rate scenarios. Typically, the OAD will be determined by shifting the interest rate paths up and down by a specified amount, calculating the new bond cash flows, discounting them back using the constant OAS and determining the average bond price change.
Option Adjusted Convexity	The Option Adjusted Convexity (OAC) reflects the change in Option Adjusted Duration given a change in interest rate. The OAC calculation is performed using a fixed OAS to discount the bond's cash flows.
Interest Rate Sensitivity Calculation	For each HEL or HELOC Investments in the Investment Portfolio, the Investment Manager shall determine the bond's OAS, OAD and OAC. These calculations on each individual Investment enable determination of the portfolio's Option Adjusted Duration and Convexity.
Hedge Portfolio	The Investment Manager will purchase a Hedge Portfolio, typically comprising interest rate caps that, although having different exact interest rate characteristics than the underlying assets which are causing the AFC risk, will have a duration and convexity that approximately match the Investment Portfolio's Option Adjusted Duration and Convexity. The aggregate of the HEL bonds, HELOC bonds and the Hedge Portfolio is required to meet the Hedging Compliance Test.
Hedging Compliance Test	The Hedging Compliance Test verifies that: a) Given a positive parallel shift, from 0 to 100bps of the actual Libor forward curve, the aggregate of the HEL bonds, HELOC bonds and the Hedge Portfolio has a positive or zero change in value; b) In case of a negative parallel shift, from 0 to 100bps of the actual Libor forward curve, the aggregate of the HEL bonds, HELOC bonds and the Hedge Portfolio may have a negative change in value, due to the AFC risk being over-hedged.

Monitoring Requirements	The Investment Manager will monitor this hedge periodically, adjusting, if necessary, the composition of the Hedge Portfolio to ensure the Issuer passes the Hedge Compliance Test. The Investment Manager will also adjust as appropriate market assumptions used to determine the bond's Option Adjusted Duration and Convexity. Prepayment rates of the underlying HELs or HELOCs will be updated monthly, as monthly trustee reports become available. The Issuer will have to test the efficiency of the hedge on a periodic basis and report the results to the Rating Agencies (by issuing periodic hedge reports). Hedge Portfolio testing will be conducted, and reports issued: a) Weekly; b) Each time an asset with AFC risk is purchased or sold by the Issuer; and c) Each time interest rates or volatility move materially (as determined in the discretion of the Investment Manager) since the last date of testing.
AFC risk in other ABS	AFC risk may be present in a small number of other ABS assets which will be treated in a similar way as for HEL and HELOC assets, as described above.
Amendment to Market Sensitivity Tests	If the Issuer is in compliance with the Monitoring Requirements and passes the Hedge Compliance Test, it will be able to treat the HEL and HELOC assets (as well as any other Investments which include AFC risk and which are being monitored and, if necessary, hedged) as vanilla floating rate bonds for the purposes of the Market Sensitivity Tests.

VI. Liquidity Features

Introduction

Liquidity management focuses on ensuring there are sufficient potential sources of liquidity, such that cash outflows (particularly, payment of senior costs, payments due under CDS and interest on and repayment of existing Senior Funding) are covered by expected cash in-flows.

Cash outflows will include, *inter alia*:

a) Repayment of maturing Debt Obligations;

b) Interest on all Debt Obligations;

c) Fee and expense payments; and

d) Payments due under CDS and Hedge Contracts.

but shall not include payment of certain parts of interest due on the Capital Notes where these may be deferred if insufficient cash is available. For the avoidance of doubt, the fixed component of the interest on the Capital Notes (Benchmark Rate and Fixed Margin) shall be included but Variable Margin on the Capital Notes shall not be included.

These outflows can be covered from several sources of potential cash inflows:

a) Cash inflows (repayment of principal and interest) from the Investments and Hedge Contracts;

b) Drawing on Committed Liquidity Facilities;

c) Drawing on Breakable Deposits;

d) Liquidating Puttable Investments;

e) Entering into Repo Funding Transactions;

f) Entering into Committed Repo Transactions;

g) Withdrawals from Money Market Funds;

h) Liquidating Investments; and

i) Issuing new Debt Obligations.

Alternatively, liquidity can be sourced through reducing cash-outflows by extending the maturity of certain of the Senior Debt Obligations such as Extendible CP.

The Maximum Net Cumulative Outflow (MNCO) calculations determine the liquidity requirements of the Issuer for various periods of time during the next calendar year by calculating cash-inflows and cash-outflows based on, *inter alia,* the current Investment Portfolio and Senior Funding on each Business Day.

The certainty of the cash inflows above varies, and in the different Liquidity Tests, only some of these potential cashflow sources are given credit.

Available Liquidity

In each Liquidity Test, the Available Liquidity is the sum of the forms of liquidity which are listed as being acceptable for consideration (e.g. given credit) in that test.

Liquidity Tests	The Liquidity Tests shall comprise the following tests: a) 1-Day Liquidity Test b) 5-Day Liquidity Test c) 10-Day Liquidity Test d) 15-Day Liquidity Test
Net Cumulative Outflow Calculation	The Investment Manager will keep a record of all expected cash inflows and outflows for each Business Day during the succeeding 365 calendar days, given the then current Investment Portfolio and schedule of Debt Obligations. The Net Cumulative Outflow (or inflow if negative) is calculated firstly for each individual Business Day during the next 365 days. Using these day by day calculations, NCOs for a longer period of time (e.g. 5 consecutive Business Days) may be calculated by considering the sum of the daily NCOs (which may be inflows or outflows) over such period to get a Net Cumulative Outflow (or inflow) for each given period, rolling, over the next 365 days. Daily NCO = all scheduled payments for that day - all receipts for that day (may be positive or negative) n-day Maximum NCO is the largest of Daily NCO and the next sequential cumulative 1-to-n days NCO e.g. 5-day MNCO equals the largest of the following sums: Sum of Daily NCO Sum of Daily NCO and the next Daily NCO Sum of Daily NCO and the next 2 sequential Daily NCOs Sum of Daily NCO and the next 3 sequential Daily NCOs Sum of Daily NCO and the next 4 sequential Daily NCOs
1-Day Liquidity Test	The 1-Day Maximum NCO during the next 365 calendar days plus the Repo Margin Call Provision Buffer and the Level 1 CDS Buffer should be less than the 1-Day Available Liquidity . 1-Day Available Liquidity shall be the sum of: a) Cash in hand b) Committed Liquidity Value c) Full notional of Breakable Deposits d) Full notional of Money Market Funds e) Full notional of Puttable Investments f) Liquidity Eligible Committed Repo

5-Day Liquidity Test	The 5-Day Maximum NCO during the next 365 calendar days plus the Repo Margin Call Provision Buffer and the Level 1 CDS Buffer should be less than the 5-Day Available Liquidity . 5-Day Available Liquidity shall be the sum of: a) Cash in hand b) Committed Liquidity Value c) Full notional of Breakable Deposits d) Full notional of Money Market Funds e) Full notional of Puttable Investments f) Liquidity Eligible Committed Repo
10-Day Liquidity Test	The 10-Day Maximum NCO during the next 365 calendar days plus the Repo Margin Call Provision Buffer, the Level 1 CDS Buffer and the Level 2 CDS Buffer should be less than the 10-Day Available Liquidity. 10-Day shall be the sum of: a) Cash in hand b) Committed Liquidity Value c) Full notional of Breakable Deposits d) Full notional of Money Market Funds e) Full notional of Puttable Investments f) Liquidity Eligible Committed Repo g) Haircut Market Value of all Liquidity Eligible Investments
15-Day Liquidity Test	The 15-Day Maximum NCO during the next 365 calendar days plus the Repo Margin Call Provision Buffer , the Level 1 CDS Buffer and the Level 2 CDS Buffer should be less than the 15-Day Available Liquidity . 15-Day Available Liquidity shall be the sum of: a) Cash in hand b) Committed Liquidity Value c) Full notional of Breakable Deposits d) Full notional of Money Market Funds e) Full notional of Puttable Investments f) Liquidity Eligible Committed Repo g) Haircut Market Value of all Liquidity Eligible Investments

Extendible CP	The Issuer may issue Extendible CP. This instrument permits extension of the maturity date of the CP, typically with a step-up in the interest margin (of around 20-50 bps) for the extended period. The longest maturity of the Extendible CP is 365 days. The extension of the maturity is generally not subject to conditions and may generally be affected with Same-Day notice. CP investors may require the Issuer to commit to undertake certain actions post any utilisation of the CP extension (e.g. discontinue issuance of Extendible CP until the extended note has been repaid). For the purposes of the NCO calculations above, the Investment Manager may elect to recognise the cash outflows (interest and repayment of principal) relating to the Extendible CP assuming either: a) The Extendible CP is repaid on the expected maturity date b) The Extendible CP is repaid on the final maturity date (or any earlier date on which the Investment Manager may elect to repay the Extendible CP) However, after the last date for notice of extension (if any) the Investment Manager must recognise within the NCO calculations that the Extendible CP will be repaid on the date that is then set for repayment. In addition, if the Investment Manager elects to recognise the cash flows (interest and repayment of principal) relating to the Extendible CP assuming that the Extendible CP is repaid on the final maturity date (or any earlier date on which the Investment Manager may elect to repay the Extendible CP), the Investment Manager must also assume that the Extendible CP is repaid on such date for the purposes of calculating the Weighted Average Life of Senior Funding. For the avoidance of doubt, should the Investment Manager have chosen to assume a repayment on a date after the expected maturity date, any higher interest rate charged during the extension period will be included in the NCO calculations.
Liquidity Providers	The Issuer will enter into liquidity agreements with a range of Liquidity Providers which meet certain eligibility criteria in order to provide liquidity to pass the Liquidity Tests. Liquidity Providers are counterparties under a Committed Liquidity Facility, a Committed Repo Facility or in respect of Puttable Investments, the bank of deposit in respect of Breakable Deposits or other counterparties as agreed with the Rating Agencies. For the avoidance of doubt, Available Liquidity shall also include the Money Market Funds and the Haircut Market Value of Liquidity Eligible Investments. No one Liquidity Provider may comprise more than 30% of total Available Liquidity (excluding the Haircut Market Value of LEIs).
A-1 Rated Liquidity Providers Cap	Liquidity Providers (Committed Liquidity Facility providers, Committed Repo Facility providers, bank of deposit with respect to Breakable Deposit and the counterparty with respect to Puttable Investments) which are rated A-1 by S&P may provide liquidity however such liquidity value (unless such liquidity value is fully covered by an additional liquidity provider with a short-term rating of at A-1 and a long-term rating of at least A+) is subject to the A-1 Rated Liquidity Providers Cap which does not permit more than 20% of Available Liquidity (excluding the Haircut Market Value of LEIs) to be provided by Liquidity Providers rated A-1. In such a case where a Liquidity Provider is downgraded below A-1+ for S&P or P-1 for Moody's, the Liquidity Provider shall be exempt from the constraints of the lower rating for 30 calendar days for the purpose of the, after which time it shall be subject to the constraints of the lower rating. Liquidity Providers rated below A-1 by S&P or P-1 by Moody's are not eligible Liquidity Providers.

Committed Liquidity Facilities	The Liquidity Providers will provide Committed Liquidity Facilities, on commercial terms acceptable to the Issuer, Investment Manager, and the Liquidity Providers. The Committed Liquidity Facilities will be provided on the basis of similar terms and conditions, subject to the specific agreed commercial terms. The key terms may include: a) Structured as rolling 364-day facilities b) Liquidity provider receives an Undrawn Commitment Fee on the undrawn notional and a spread above Libor (or such other equivalent floating rate index) on the drawn notional All Committed Liquidity Facilities must provide liquidity on a Same Day availability basis and the rating of the Liquidity Provider must be consistent with the rules in Rating of Liquidity Providers below.
Undrawn Commitment Fee	A fee of [15] basis points per annum on the undrawn portion of the Committed Liquidity Facilities calculated on a 360-day basis payable by the Issuer on each Liquidity Provider's commitment, quarterly in arrears and on termination of the Committed Liquidity Facilities.
Drawn Rate	Interest will be payable by the Issuer to each Liquidity Provider on any drawn portion of the Committed Liquidity Facilities calculated on a 360-day basis by reference to LIBOR plus [●] basis points. Any amounts drawn at the applicable corporate base rate will be converted to the applicable LIBOR rate within 3 business days. The drawn rate will be payable only to the extent that excess funds that have not been committed to other uses are available.
Liquidity Advance	The drawn component of a Committed Liquidity Facility
Rating of Committed Liquidity Providers	Level 1 Committed Liquidity Providers (which provide the Level 1 Committed Liquidity Value) must have a minimum short-term rating of A-1+/P-1. Level 2 Committed Liquidity Providers (which provide the Level 2 Committed Liquidity Value) must have a minimum short-term rating of A-1/P-1. Uncovered Level 2 Committed Liquidity Providers (which provide the Covered Level 2 Committed Liquidity Value) must also have a long-term rating of at least A+. If a Liquidity Provider is downgraded below A-1+/P-1, but retains an A-1/P-1 rating the Level 1 Liquidity Facility becomes a Level 2 Liquidity Facility after 30 calendar days. If a Liquidity Provider is downgraded below A-1/P-1, the facility becomes ineligible for purposes of meeting the liquidity requirement after 30 calendar days. For the avoidance of doubt, subject to the restrictions explained below, the presence of Level 2 Liquidity Providers will not affect the A-1+/P-1 rating of the Senior Debt Obligations.
Committed Liquidity Value	The Committed Liquidity Value is the sum of: a) Full notional of Level 1 Committed Liquidity Value; b) Notional of Level 2 Committed Liquidity Value (subject to the A-1 Rated Liquidity Providers Cap); c) Full notional of Covered Level 2 Committed Liquidity Value

Covered Level 2 Liquidity Value	Full undrawn notional of a Level 2 Liquidity Facility, but only to the extent that such notional is covered by the undrawn notional of another Level 1 or Level 2 Liquidity Facility. For the avoidance of doubt, the Covered Level 2 Liquidity Value shall be the full undrawn notional of a Level 2 Liquidity Facility to the extent that this undrawn notional amount is covered in full by another Level 1 or Level 2 Liquidity Facility (which will not be included in the Liquidity Value). There is no limit on the Covered Level 2 Liquidity Value. The Covered Level 2 Liquidity Value is the sum of all such covered undrawn notional across (potentially) multiple Level 2 Liquidity Facilities, however: a) No part of a Level 2 Liquidity Facility may be accounted for more than once in the calculation of the Committed Liquidity Value. b) No part of a Level 2 Liquidity Facility which is accounted for in the amount of Uncovered Level 2 Liquidity Value may be used in the calculation Committed Liquidity Value.
Collateralised Liquidity	In such case where a Liquidity Provider is downgraded below certain minimum trigger levels, the Issuer shall have the right to draw down the full liquidity facility. In such case, the Issuer shall continue to pay the agreed Undrawn Commitment Fee (rather than the Drawn Rate) and any interest earned on the drawn notional shall be payable to such Liquidity Provider. For the avoidance of doubt, if the liquidity facility is drawn down and used for liquidity purposes (i.e. it is not put on deposit in a deposit bank), the agreed spread above Libor on the drawn notional shall be payable to the liquidity provider (i.e. the Drawn Rate).
Same Day	Same Day availability shall mean that the Issuer can convert the relevant form of liquidity into cash: a) The same Business Day if the request is made prior to 2pm U.S. Time (EST) on a Business Day; or b) The next Business Day if the request is made after 2pm U.S. Time (EST) on a Business Day.

Breakable Deposits	Breakable Deposits are deposits with banks rated at least A-1/P-1 which have the following characteristics: a) The bank with which the cash is deposited must agree to waive set-off of obligations; b) The Breakable Deposit must be securable in its jurisdiction and secured for the benefit of the Security Trustee; and c) The Breakable Deposit funds must have Same Day availability. The Breakable Deposit shall be capital charged as a Cash Equivalent (see Section III). Surveillance of the Breakable Deposit must be reported separately in the liquidity reporting section. Breakable Deposits with banks rated A-1 are subject to the A-1 Rated Liquidity Providers Cap. Breakable Deposits in banks rated A-1 which are in excess of the A-1 Rated Liquidity Providers Cap shall be ineligible for purposes of meeting the liquidity requirement. Breakable Deposits with banks rated below A-1/P-1 are automatically ineligible for the purposes of meeting the liquidity requirements. In such a case where a deposit bank is downgraded below A-1+ for S&P or P-1 for Moody's, the Breakable Deposit shall be exempt from the constraints of the lower deposit bank rating for 30 calendar days, after which time it shall be subject to the constraints of the lower deposit bank rating. Withdrawal charges or reduced interest payments received if withdrawal happens must be measured and will be included as a capital charge (see Section III). Liquidity facilities which are drawn down due to a downgrade of the Liquidity Provider (as outlined above under "Collateralised Liquidity") shall be classified as Breakable Deposits and will be eligible to provide liquidity support if the deposit bank and the drawn down funds on deposit with such bank meet the requirements of a Breakable Deposit as outlined above.
Money Market Funds	Money Market Funds are short term investments rated at least AAAm/Aaa which have the following characteristics: a) The fund with which the cash is deposited must agree to waive set-off of obligations; b) The Money Market Funds must have no restrictions on withdrawal or redemption charges; and c) The Money Market Funds must have Same Day availability. If a fund is downgraded below AAAm/Aaa, the fund becomes ineligible for purposes of meeting the liquidity requirement after 30 calendar days
Puttable Investments	Puttable Investments means assets which can be put to a counterparty on pre-agreed terms (in accordance with criteria agreed with the Rating Agencies from time to time). Puttable Investments with counterparties rated A-1 are subject to the A-1 Rated Liquidity Providers Cap. Puttable Investments with counterparties rated A-1 which are in excess of the A-1 Rated Liquidity Providers Cap shall be ineligible for purposes of meeting the liquidity requirement. Puttable Investments with counterparties rated below A-1/P-1 are automatically ineligible for the purposes of meeting the liquidity requirements. In such a case where a Puttable Investment counterparty is downgraded below A-1+ for S&P or P-1 for Moody's, the Puttable Investment shall be exempt from the constraints of the lower counterparty rating for 30 calendar days, after which time it shall be subject to the constraints of the lower counterparty. Details to be finalised with the Rating Agencies post closing.

Committed Repo Facility	A Committed Repo Facility is a facility where the Issuer pays an ongoing commitment fee for the right to enter into Committed Repo Transactions on pre-agreed terms on Same Day notice. This permits Issuer to "put" securities on a repo basis. Committed Repo Transactions must meet the Repo Transaction Criteria as laid out in Section IX (however, to the extent of any inconsistency between the criteria below and the criteria in Section IX, the criteria below shall take precedence). Committed Repo Facilities and Committed Repo Transactions must meet the following terms and conditions: a) The Committed Repo Counterparty must be rated at least A-1/P-1; b) The Committed Repo Facility must have Same Day availability; and c) Only Potential Committed Repo Investments may be used as Repo Investments in Committed Repo Transactions; d) Committed Repo Transactions are included in, and must comply with the Repo Limitation Test. See Senior Funding Section IX for details; and e) Committed Repo Facilities with Committed Repo Counterparties rated A-1 are subject to the A-1 Rated Liquidity Providers Cap. Committed Repo Facilities with Committed Repo Counterparties rated A-1 which are in excess of the A-1 Rated Liquidity Providers Cap shall be ineligible for purposes of meeting the liquidity requirement. Committed Repo Facilities with Committed Repo Counterparties rated below A-1/P-1 are automatically ineligible for the purposes of meeting the liquidity requirements. In such a case where a Committed Repo Counterparty is downgraded below A-1+, P-1, the Committed Repo Facility shall be exempt from the constraints of the lower rating for 30 calendar days, after which time it shall be subject to the constraints of the lower rating.
Committed Repo Counterparty	A Committed Repo Counterparty is a counterparty to a Committed Repo Facility, such counterparty at the time of entering into the Committed Repo agreement being required to have a short-term rating of at least A-1 by S&P and P-1 by Moody's.
Repo Margin Call Provision Buffer	To the extent that Repo Transactions are outstanding, on each Business Day, the Repo Margin Call Provision Buffer shall be calculated and added to the Maximum 1, 5, 10 and 15-day NCO in addition to the relevant CDS buffer(s) when calculating the Liquidity Tests. For the avoidance of doubt, all Repo related cash flows (excluding cash flows related to a Repo margin call), are included as regular cash inflows and outflows for the purpose of the 1, 5, 10 and 15 Day Liquidity Tests. The Repo Margin Call Provision Buffer shall be calculated as the sum product of: a) the Market Value of each Repo Investment outstanding on such day; b) the Base Capital Requirement for each Repo Investment; The Base Capital Requirement for each Repo Investment shall be the Base Capital Requirement determined with reference to the Deemed Rating and Capital Investment Class of the Repo Investment, assuming that such Repo Investment has a Weighted Average Life equal to the outstanding maturity of the Repo Transaction.

Repo Transactions	Upon instruction from the Investment Manager, the Administrator may arrange for the Issuer to enter into Repo Transactions, with respect to its Investments. Individual Repo Counterparties rank senior (they have Special Liens) to other Secured Obligors with regards to the specific pools of Investments (the "Repo Investments") which are subject to the individual Repo Transaction(s) applicable to each Repo Counterparty. Any amounts outstanding owed to Repo Counterparties after the liquidation of the Repo Investments shall rank *pari passu* in the Priority of Payments in Enforcement to the Senior Obligations (see Priority of Payments in Enforcement Section VIII). For the avoidance of doubt, in this document, Repo Transactions include Repo Transactions which are alternative sources of funding to using Senior Debt Obligations ("Funding Repo Transactions"), and Repo Transactions which are a result of drawing on a Committed Repo Facility ("Committed Repo Transactions").
Repo Investments	On any given day, all Investments which are included in Repo pools and are attributable to Repo Counterparties (e.g. have been sold to a Repo Counterparty under a Repo Transaction). For the avoidance of doubt, Repo Investments include all Investments included in Repo Transactions but do not include Potential Committed Repo Investments (which are not yet included in any Repo Transactions).
Committed Repo Transactions	Committed Repo Transactions are Repo Transactions which arise when the Issuer enters into a Committed Repo Transaction pursuant to the terms of a Committed Repo Facility.
Potential Committed Repo Investment	Potential Committed Repo Investments are Investments which are eligible for inclusion in Committed Repo Transactions but which are not currently Repo Investments. Potential Committed Repo Investments must be a Eligible Investment Type. For the avoidance of doubt, Investments which are included in Committed Repo Facilities may not also be included as Liquidity Eligible Investments for the purpose of Available Liquidity when calculating the Liquidity Tests. Repo Investments, Matched Investments and Liquidity Eligible Investments are not eligible to be considered as Potential Committed Repo Investments.
Potential Committed Repo Investment Funding Value	The Potential Committed Repo Investment Funding Value is the Market Value of the Potential Committed Repo Investments multiplied by (1 minus the relevant Committed Repo Investment Haircut) as agreed with the respective Committed Repo counterparties.
Liquidity Eligible Committed Repo (LECR)	The Liquidity Eligible Committed Repo (LECR) is the amount of Committed Repo which is eligible for inclusion as Available Liquidity in the Liquidity Tests. The Liquidity Eligible Committed Repo at any time is the minimum of: a) the Potential Committed Repo Investment Funding Value; b) the full undrawn notional of the total Committed Repo Facilities; c) the Repo Limitation Test LECR Cap which is calculated as: Max(0,((10% - (RIFV / SF)) * SF)); where: RIFV = Repo Investment Funding Value; and SF = Effective Notional Value of the Senior Funding, See Senior Funding Section IX "Repo Limitation Test" for further details.

The Liquidity Eligible Committed Repo shall be added to the 1, 5, 10 and 15-Day Available Liquidity.

Repo Limitation Test LECR Cap	Should the Repo Investment Funding Value be less than 10% of the Effective Notional Value of Senior Funding outstanding, the residual spare capacity in percentage terms (e.g. 5%) times the Effective Notional Value of Senior Funding outstanding shall be the Repo Limitation Test LECR Cap, which is the maximum LECR which may be included in the calculation of Available Liquidity for the purpose of the Liquidity Tests. For example, should the Repo Investment Funding Value equate to 6% of the Effective Notional Value of Senior Funding, the Available Liquidity may benefit from the LECR to a maximum of 4% of the Effective Notional Value of Senior Funding outstanding. For the avoidance of doubt, the Repo Limitation Test LECR Cap is only considered after having calculated the RIFV as a percentage of the Effective Notional Value of Senior Funding outstanding.
Repo Investment Funding Value	The Repo Investment Funding Value (RIFV) is the total funds raised under outstanding Repo Transactions.
Committed Repo Investment Haircut	The Committed Repo Investment Haircut shall be set in agreement with the relevant Committed Repo counterparty.
Liquidity Eligible Investments (LEIs)	Certain highly rated Investments, designated Liquidity Eligible Investments, can be relied upon within certain of the Liquidity Tests in order to provide a potential inflow of cash (through liquidation of the Liquidity Eligible Investments at the assumed haircut market value of the Liquidity Eligible Investments). Each Investment may be classified as a Liquidity Eligible Investment if it meets the Liquidity Eligible Investment Criteria. The Available Liquidity of any Liquidity Eligible Investment is its Market Value multiplied by its Liquidity Eligible Investment Haircut Factor.
Liquidity Eligible Investment Criteria	An Investment shall qualify as a Liquidity Eligible Investment if it is of an Investment Class with a Deemed Rating and Weighted Average Life consistent with the table in Appendix H. All Liquidity Eligible Investments, must have the following criteria: a) The minimum outstanding position size must be $10 million (or equivalent); b) May not have embedded options (except normal structured finance calls such as step-up call and cleanup call options); c) May not be a wrapped Investment; d) None of the following: Repo Investments, Potential Committed Repo Investments or Matched Investments, may be included as Liquidity Eligible Investments for the purpose of Available Liquidity when calculating the Liquidity Tests; and

Additional specific criteria include:

Structured Finance Securities where the Key Country is the United States may qualify as a Liquidity Eligible Investment if they meet the following criteria:

a) The Investment must be rated AAA/Aaa;

b) The Investment must be from the Credit Card, Student Loan, prime RMBS or Auto Loan Sector Category;

c) The Investment must pay a margin over a standard floating rate index (e.g. LIBOR, commercial paper);

d) The Issuer together may not hold more than 25% of the issue size of the entire transaction; and

e) Total issue size must be at least $200 million at the time of purchase.

For the avoidance of doubt, for total issue size, with regard to Master Trusts, total issue size shall be considered to be the total issuance of the Master Trust as an overall group, and not the Issue size of the single issue of a Master Trust.

In addition, total issue size is considered based on the total notional of notes issued from a transaction and not the total notional of notes outstanding.

Structured Finance Securities where the Key Country is not the United States, and where the Sub-Sector Category is prime RMBS may qualify as a Liquidity Eligible Investment if they meet the following criteria:

a) The Investment must be rated AAA/Aaa;

b) The Investment must be denominated in U.S. Dollars;

c) The Key Country of the Investment must be either the United Kingdom or Australia;

d) Total issue size must be at least $500 million (UK RMBS) or $500 million (Australian RMBS) equivalent at time of purchase;

e) The maximum tenor must be 5 years Weighted Average Life at the time of purchase;

f) The Investment must pay a floating rate of interest at a margin over U.S. dollar LIBOR;

g) The Issuer may not hold more than 25% of the issue size of the entire transaction; and

h) The Issuer is subject to a minimum position size of $10 million.

Haircut Market Value of LEIs

When calculating the Available Liquidity for the MNCO calculations, benefit is only given to the haircut Market Value of the Liquidity Eligible Investments. These are calculated by multiplying the Market Value of the Liquidity Eligible Investments by the appropriate Liquidity Eligible Investment Haircut Factor. These Liquidity Eligible Investment Haircut Factors are a function of the Investment Class/Sector, weighted average life and interest rate type (fixed or floating) of the Investment.

See Appendix H for full details of the Liquidity Eligible Investment Haircut Factors.

Violation of Liquidity Tests	In the event of non-compliance with the Liquidity Tests, the Investment Manager shall use all reasonable efforts and take such steps as will result in compliance within five business days. If the Investment Manager is unable to remedy the situation within five business days, Restricted Funding will be initiated. Restricted Funding can be reversed if the breach of the Liquidity Test is rectified, and no other conditions to cause Restricted Funding are then in place, see Section VII for further details. However the vehicle shall only be permitted to recover from Restricted Funding when entering into Restricted Funding was caused by a breach of a Liquidity Test, once every 10 years.

VII. Operating States

Introduction	The Issuer shall operate subject to the conditions of various Operating States, which are summarised below. The Issuer will generally operate under Normal Operations, (with certain amendments during the Ramp-Up Period may apply for up to 6 months after the Closing Date). All other Operating States impose various constraints on the Issuer, in response to the failure to comply with various tests, conditions or criteria.
Operating States	The various Operating States are: a) Normal Operations; b) Restricted Investments; c) Restricted Funding; and d) Enforcement.
Normal Operations	During Normal Operations, the Issuer shall have full flexibility for all investment and funding actions. The Issuer shall be in Normal Operations prior to a: a) Restricted Investments Event; b) Restricted Funding Event; or c) Enforcement Event. However, the Issuer may re-enter Normal Operations after a Restricted Investments Event or re-enter Restricted Investments or Normal Operations after a Restricted Funding Event, if the conditions that caused the Restricted Investments Event or the Restricted Funding Events are remedied subject to further conditions described below (subject to certain Rating Agency conditions).
Restricted Investments Limitations	During Restricted Investments, the Issuer shall not be permitted to: a) Purchase new Investments unless (i) such purchase is an Investment Switch or (i) the Issuer had committed to purchase such Investment(s) whilst in Normal Operations and prior to the occurrence of the relevant Restricted Investments Event. b) Enter into new CDS unless the Issuer had committed to enter into such CDS whilst in Normal Operations and prior to the occurrence of the relevant Restricted Investments Event. c) Redeem any of the Capital Notes except: (i) if the non-redemption of a particular Capital Note would otherwise cause a Enforcement Event; (ii) if, after such redemption, the only cause of the Issuer being in Restricted Investments would be a failure to redeem an outstanding Capital Note by its Expected Maturity Date and/or a failure of the Capital Note Maturity Test; (iii) if the Issuer would return to Normal Operations after such redemption; (iv) all outstanding Prior Ranking Obligations have been paid and/or provisioned for in full subject to certain conditions in the Terms and Conditions of the Capital Notes (see Appendix B for further details); d) Pay Benchmark Rate or Fixed Margin interest on the Junior Capital Notes unless such Junior Capital Notes are being redeemed in accordance with the Terms and

Conditions of the Capital Notes (see Appendix B for further details);

e) Pay the Variable Margin on any Capital Notes;

f) Pay any Mezzanine Capital Notes Subordinated Payments until all outstanding Prior Ranking Obligations have been paid and/or provisioned for in full (subject to certain conditions as outlined in the Terms and Conditions of the Capital Notes);

g) Pay any Junior Capital Notes Subordinated Payments until all outstanding Prior Ranking Obligations have been paid and/or provisioned for in full;

h) Pay any amounts to the Receivables Trust.

The above Restricted Investments Limitations may represent a simplification. Please refer to the Terms and Conditions of the Capital Notes (Appendix B) for further details.

Prior Ranking Obligation	Prior Ranking Obligations with respect to any payment obligation of the Issuer are any outstanding payment obligations of the Issuer (whether or not then due and payable) which, if an Enforcement Event were to occur, would rank in priority to the relevant payment obligation under the Priority of Payments in Enforcement. For the avoidance of doubt, Prior Ranking Obligations which are fee-based shall be deemed to have been paid and/or provisioned for in full on any date, if all such Prior Ranking Obligations which have accrued to such date and/or which are payable at their next scheduled date for payment have been paid and/or provisioned for in full.
Restricted Investments Events	Failure to comply with of any of the following events shall constitute a Restricted Investments Event and will cause the Issuer to enter Restricted Investments: a) A Minor Capital Tests remaining unremedied after 5 business days; b) The Minimum Weighted Average Life of Senior Funding Test remaining unremedied after 5 business day; or c) Failure to redeem Capital Notes by the Expected Maturity Dates after 5 business days.
Return to Normal Operations from Restricted Investments	Once the conditions that caused the Restricted Investments Event are remedied, and at such time if there are no other conditions then outstanding that would cause a Restricted Investments Event, the Issuer shall return to Normal Operations.
Restricted Funding	In the event of the occurrence of any of the Restricted Funding Events, Restricted Funding shall be initiated. In such case, the Investment Manager shall liquidate, as necessary, the Investment Portfolio in order to pay down the Capital Senior Obligations as further described in Section VIII.

Restricted Funding Limitations	During Restricted Funding, the Issuer shall be subject to the same restrictions as during Restricted Investments. In addition, the Issuer shall not be permitted to: a) Issue new Senior Debt Obligations or enter into new Repo Funding Transactions except to fund purchases which Issuer had committed to purchase whilst in Normal Operations or Restricted Investments and prior to the occurrence of the relevant Restricted Funding Event. b) Purchase new Investments except Risk-Free Investments for the purposes of improving investment returns on available cash until outstanding Capital Senior Obligations can be redeemed, provided that this restriction on purchase of new Investments shall not apply in the event that the Issuer had committed to purchase such Investment(s) whilst in Normal Operations or Restricted Investments and prior to the occurrence of the relevant Restricted Funding Event. c) Pay interest on the Capital Notes until all outstanding Prior Ranking Obligations have been paid and/or provisioned for in full; d) Redeem any Capital Notes until all outstanding Prior Ranking Obligations have been paid and/or provisioned for in full; e) Pay any Mezzanine Capital Notes Subordinated Payments until all outstanding Prior Ranking Obligations have been paid and/or provisioned for in full. The above Restricted Funding Limitations may represent a simplification. Please refer to the Terms and Conditions of the Capital Notes (Appendix B) for further details.
Restricted Funding Event	Failure to comply with of any of the following events shall constitute a Restricted Funding Event and will cause the Issuer to enter Restricted Funding: a) A Major Capital Test remaining unremedied after 5 business days (except the Major Capital Loss Limit Test, failure of which shall constitute an Enforcement Event); b) A Market Sensitivity Test remaining unremedied after 5 business days; or c) A Liquidity Test remaining unremedied after 5 business days.
Return to Normal Operations from Restricted Funding	Once the conditions that caused the Restricted Funding Event are remedied, and all other Restricted Funding Events that may have occurred since the initial Restricted Funding Event are also remedied, the Issuer shall return to Restricted Investments or Normal Operations (as appropriate). If the conditions that caused the Restricted Funding Event were caused by breach of a Market Sensitivity Test and/or a Liquidity Test, the Issuer shall only be permitted to return to Normal Operations once within any [10] year period. In the event of a second breach of a Market Sensitivity Test and/or Liquidity Test within [10] years of the first breach, the Issuer remain in Restricted Funding or Enforcement.
Enforcement Limitations	The Enforcement Limitations shall be the same as the Restricted Funding Limitations. Upon an Enforcement Event, the security constituted by the Security Trust Deed shall become immediately enforceable, notwithstanding that none of the secured obligations of the Issuer are then due and payable. As soon as is reasonably practical, the Security Trustee shall appoint a Receiver. The Receiver shall manage the security assets and the business of the Issuer with the objective of arranging a timely payment of the Issuer's obligations in accordance with the Payment Priority in Enforcement.
Receiver	A Receiver is each receiver and manager appointed in respect of the Issuer under the Security Trust Deed.
Enforcement Event	Please see the Information Memorandum for the final Enforcement Event details.

Inability to Return to Normal Operations	Once the Issuer has entered Enforcement, it cannot return to Normal Operations. In such case, the Investment Manager shall liquidate, as necessary, the Investment Portfolio in order to pay down the Capital Senior Obligations as further described in Section VIII.
Management during Enforcement	The Security Trustee will enforce its rights to the Collateral following the occurrence of an Enforcement Event. The Security Trustee shall thereafter manage the Issuer's business under guidelines described in Section VIII. It may retain the Investment Manager or appoint additional or replacement financial advisors to act as Defeasance Manger.
Ramp-Up Period	Shall last from the Closing Date during Normal Operations until the earlier of the following: a) The date six months following the Closing Date; or b) The occurrence of an Enforcement Event, Restricted Funding Event or Restricted Investments Event. During the Ramp-Up Period, when considering Total Principal Portfolio Value for the purpose of calculating the Investment Purchase Criteria (m), (n), (o), (p), (q), (r), (s), (u) and the Portfolio Parameter Tests (where applicable) the Total Principal Portfolio Value shall be the greater of Minimum Portfolio Value or the actual Total Principal Portfolio Value at such time. For the avoidance of doubt, the Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value and the Maximum Single Obligor Concentration Test - % of Adjusted Net Asset Value shall be calculated with reference to the actual Adjusted Net Asset Value at such time. In addition, during the Ramp-Up Period, the Maximum Net Positive Hedge Counterparty Exposure Test shall also be calculated with reference to the Minimum Portfolio Value. The limits of the Weighted Average Life of the Senior Funding Test shall also be amended to be not less than one month (rather than three) during the Ramp-Up Period
Treatment of Unsettled Trades	Where the vehicle has a binding verbal contract on a trade to purchase or sell an Investment (assuming that the Investment was a Eligible Investment on the day of the trade agreement given the then current Operating State), the Issuer shall be permitted to settle such trade despite a change in Operating State occurring prior to the settlement date. Similarly, the Issuer may fund all such committed transactions in order to facilitate settlement despite a change in Operating State occurring prior to the settlement date.
Minimum Portfolio Value	$3,000,0000,000
Investment Switch	In order for a transaction to qualify as an Investment Switch, the original Investment (or portion of the proceeds thereof) must be switched into another Investment for which the Base Capital Requirement is equal to or lower than the Base Capital Requirement than the original Investment for such Rating Agency. For the avoidance of doubt, when comparing the Base Capital Requirement of the original Investment to the Base Capital Requirement of the replacement Investment, one compares only the Base Capital Requirement for the original and replacement Investment for the same Rating Agency, and not across all relevant Rating Agencies (i.e. one does not take the lowest Base Capital Requirement across all Rating Agencies). In addition, it is required that, for each Investment Switch, each of the Portfolio Parameter Tests and the Investment Purchase Criteria are satisfied following such Investment or, if any such test was not satisfied immediately prior to such reinvestment, such test is maintained or improved following such Investment.

Risk-Free Investment	Investments which fit the following criteria shall be considered Risk-Free Investments:

a) Is an Eligible Investment Type;

b) Is compliant with the Investment Purchase Criteria;

c) Is a Vanilla Investment;

d) Is U.S. dollar denominated, (except in such cases where the proceeds from a maturing Investment, which is denominated in a non-U.S. Eligible Currency, which has been funded in the same Eligible Currency, are reinvested in Risk-Free Investments denominated in the same Eligible Currency as the liability until such time as the liability matures);

e) Is based upon either a floating rate index or is fixed rate; and

f) Future cash flows are not dependent upon any event, other than the ability of the Obligor to make such payments.

In addition, they must be one of the following:

a) A Government Security, issued by an OECD country, where the Deemed Rating is AAA/Aaa;

b) A Supranational Security with a Deemed Rating of AAA/Aaa;

c) A Government Agency Security with a Deemed Rating of AAA/Aaa;

d) A short-term obligation (maximum maturity of 365 days) from an Obligor with a A-1+/P-1 short-term Deemed Rating and if the Obligor has a long-term rating, a Deemed Rating of at least AA-/Aa3;

e) Such other security or obligation as may be approved by the Rating Agencies, but not subject to conditions (a) to (f) above and with Rating Agency Approval

VIII. Investment Defeasance Plan

Introduction	In the case where the Issuer is in either Restricted Funding or Enforcement as laid out in Section VII, the vehicle shall follow the Investment Defeasance Plan as set out below with the aim of liquidating the Investment Portfolio as required in order to repay the Prior Ranking Obligations, and thereafter to repay other creditors and the Capital Note investors (once all outstanding Prior Ranking Obligations have been paid and/or provisioned for in full) in accordance with the Priority of Payments in Enforcement as laid out in Section I and below. All CDS (except for USNTID CDS) are likely to be terminated and hence marked to market in Defeasance. USNTID agreements shall stay in place until the respective CDS Maturity Date unless the Issuer chooses to close out the CDS. The CDS Counterparty will not have an option to unwind the USNTID CDS in Defeasance.
Defeasance	The vehicle is in Defeasance when in either Restricted Funding or Enforcement.
Realisation Period	From the day when a Restricted Funding Event or Enforcement Event occurs (the Defeasance Date) until all Investments and proceeds from Investment sales have been used to discharge any Debt Obligations issued by the Issuer, repay other creditors and all outstanding CDS have been closed out or until the vehicle re-enters Restricted Investments or Normal Operations. This period shall be called the Realisation Period.
Defeasance Date	Shall be the date on which the vehicle enters Defeasance (the date the vehicle enters Restricted Funding, or the date on which the vehicle enters Enforcement if the vehicle was not already in Restricted Funding immediately beforehand).
Notification	The Defeasance Manager shall notify the Rating Agencies as soon as the Defeasance Date occurs. Upon the vehicle entering Defeasance, the Defeasance Manager shall be the Investment Manager. The Investment Manager shall continue to act as the Defeasance Manager, and fulfil all the normal roles of the Defeasance Manager until such time (if any) that the Security Trustee appoints an alternative Defeasance Manager.
Defeasance Manager	The party that manages the Defeasance Process shall be known as the Defeasance Manager. After the occurrence of a Restricted Funding Event, but prior to an Enforcement Event, the Defeasance Manager shall be the Investment Manager. After the occurrence of an Enforcement Event, the Defeasance process shall be managed at the discretion of the Security Trustee. The Security Trustee may retain party professional advisors to act as the Defeasance Manager, may choose to retain the Investment Manger as the Defeasance Manager, or in certain cases may act as the Defeasance Manager directly themselves.
Failure of Portfolio Parameter Tests	The Portfolio Parameters Tests will not apply to the Investment Portfolio during Defeasance and failure of any Portfolio Parameter Tests shall have no effect. The Defeasance Manager will nevertheless endeavour to limit the extent of the Issuer's exposure to any one issuer, industry or country by observing closely the limits mentioned in the Investment Portfolio Section IV, within the context of managing the Defeasance Process to maximise the proceeds of liquidation.
Market Sensitivity	The Defeasance Manager will be required to ensure the tests described in Market Sensitivity Tests section are maintained during Defeasance. It will also be required to: a) Unwind or terminate all related Hedge Contracts after the sale of related Investments; and b) Update any other Hedge Contracts as deemed necessary in order to keep the market sensitivity of the remaining portfolio to a minimum.

Defeasance Process	The Defeasance Process shall involve the following steps: a) Immediately following the Defeasance Date, the Defeasance Manager shall initiate the liquidation of the Investment Portfolio as described under the General Preferred Order of Sale. b) On the Defeasance Date, where appropriate, the Defeasance Manager shall draw down all Liquidity under the Committed Liquidity Facilities and shall prepare to draw on Money Market Funds as well Breakable Deposits and shall file notice to the Repo Counterparties under Committed Repo Transactions for potential utilisation of the unutilised component of any Committed Repo Transaction. c) Within two Business Days after the Defeasance Date, the Defeasance Manager will estimate the total potential proceeds from the liquidation of the Investment Portfolio over time and determine the Defeasance Strategy. The following general principles will apply during the Defeasance Process and shall be executed as deemed appropriate by the Defeasance Manager: a) Senior Debt Obligations issued by the vehicle will be redeemed at their respective maturity dates. A buyback prior to maturity shall be at the discretion of the Defeasance Manager and shall generally be determined according to the Defeasance Strategy. Buybacks of Senior Debt Obligations shall only be permitted in accordance with the Buyback Rules. b) Outstanding Repo Transactions shall be closed out at their respective maturities. c) CDS will be terminated according to the Synthetic Investments Defeasance Procedures and as further outlined in the Synthetic Investments Section XI. d) No payments may be made to Capital Note investors until all outstanding Prior Ranking Obligations have been paid and/or provisioned for in full. e) Committed Repo Transactions shall be utilised when required. f) Should any excess liquidity be generated due to a temporary mismatch of cash in-flows and outflows, such proceeds shall be invested in Risk-Free Investments. g) Extendible CP shall generally be extended to its final maturity date.

Defeasance Strategy	Within two Business Days of the Defeasance Date, the Defeasance Manager shall determine the Defeasance Strategy (but will follow the Primary Defeasance Strategy as outlined below until such time). The Defeasance Manager will be required to monitor and review the appropriateness of the Defeasance Strategy on a daily basis, and will amend the Defeasance Strategy where appropriate. Depending on certain factors as detailed below, creditors shall be paid following either the Primary Defeasance Strategy or the Secondary Defeasance Strategy: a) Primary Defeasance Strategy: Should the Defeasance Manager determine that the total expected proceeds from the liquidation of the Investment Portfolio (and taking into account potential CDS termination payments given the terms of relevant CDS contract then outstanding and the Synthetic Investments Defeasance Procedures) shall be sufficient to meet in full all Capital Senior Obligations, Investments shall be liquidated as required in order to redeem maturing Capital Senior Obligations as they fall due. b) Should the Defeasance Manager determine that an Insolvency Event has occurred, all such obligations shall become immediately due and payable. If the Issuer is not already in Enforcement this shall be an Enforcement Event. Strategy (a) shall be amended as outlined below "Treatment of Synthetics in Defeasance", and in "Defeasance Scenario" Synthetic Investments Section XI.
Insolvency Event	An Insolvency Event means a determination by the Manager or any Receiver that the Issuer is, or is about to become, unable to pay the Senior Obligations as they fall due to Senior Creditors and any other persons whose claims against the Issuer are required to be paid in priority thereto, as contemplated by Section 123(1) of the United Kingdom Insolvency Act 1986 (such subsection being applied for this purpose only as if the Issuer's only liabilities were those to Senior Creditors and any other persons whose claims against the Issuer are required under the Security Trust Deed to be paid in priority thereto).
Consequence of an Insolvency Event	Following an Insolvency Event, the Security Trustee shall collect and cause the collection of the proceeds of the Collateral and all amounts received on the Collateral shall be applied in accordance with the Priority of Payments in Enforcement.
Treatment of Synthetics in Defeasance	After a Restricted Funding or Enforcement Event occurs (i.e. the vehicle is in Defeasance), the following procedures shall be followed in relation to CDS: a) No new CDS shall be entered into (except CDS which have already been traded but have not yet settled b) In relation to USNTID CDS, the CDS will be left in place and will only be terminated in the following circumstances: a) following CDS Counterparty default, b) at any time at the option of the Issuer (usually but not restricted to scenarios where the MTM is positive for the Issuer); c) In relation to USTID CDS will be terminated at the date agreed in the CDS contract (expected to generally be 6 months) from the Defeasance Date, unless the Issuer has then returned to Restricted Investments or Normal Operations, or earlier at the option of the Issuer; d) In relation to Balance Sheet CDS, the CDS will be terminated at the option of the Issuer or if the CDS Collateral is required to be sold in order to repay other Senior Funding. The CDS must be terminated before the CDS Collateral can be released from the prior lien security of the CDS Counterparty, however, the Issuer can replace the CDS Collateral with other Eligible CDS Collateral (if permitted under the conditions of the relevant CDS Contract).

General Preferred Order of Sale	The Defeasance Manager shall adhere to the following rules when defining the General Preferred Order of Sale: a) Immediately following the Defeasance Date, the Defeasance Manager will initiate liquidation of the Investments following the last Default Order of Sale to have been agreed with the Rating Agencies, however, this Default Order of Sale may be amended during Defeasance in agreement with the Rating Agencies. For the avoidance of doubt, the Defeasance Manager shall commence liquidating the portfolio in accordance with the existing Default Order of Sale until a revised Default Order of Sale has been agreed with the Rating Agencies; b) The Investment Manager may dispose of Investments outside of the Default Order of Sale in a cumulative amount of up to 25% of the total outstanding Investments calculated as the principal amount outstanding of Investments disposed outside of the Default Order of Sale as a percentage of the principal amount outstanding of Investments outstanding on the Defeasance Date. For the avoidance of doubt, Investments shall only be regarded as having been disposed of outside of Default Order of Sale if they were not ranked in the top 10 Investments as ordered by the Default Order of Sale at the time of disposal of such Investment; c) Cash Investments which are CDS Collateral may be sold as deemed appropriate by the Defeasance Manager subject to replacing the CDS Collateral with Eligible CDS Collateral (if applicable) or terminating the CDS; d) Matched Investments will be held to maturity unless the Defeasance Manager deems such action inappropriate.
Default Order of Sale	On at least an annual basis during Normal Operations or Restricted Investments, the Investment Manager shall present to the Rating Agencies an example Default Order of Sale by applying the then current Default Order of Sale rules to the Investment Portfolio at such time. The Default Order of Sale rules can be changed at any time in consultation with the Rating Agencies. The initial Default Order of Sale (which excludes Matched Investments, Synthetic Investments, Repo Investments and CDS Collateral where outstanding) shall be as follows: a) All Liquidity Eligible Investments (only if such Investment is LEI eligible for both Rating Agencies) ordered by Base Capital Requirement (calculated as the average of the two Rating Agency Base Capital Requirements, starting with the lowest average Base Capital Requirement); then **b)** All non-Liquidity Eligible Investments arranged by Base Capital Requirement (calculated as the average of the two Rating Agency Base Capital Requirements, starting with the lowest Base Capital Requirement). For the avoidance of doubt the Rating Agencies shall be notified of the Default Order of Sale but shall not formally approve the Default Order of Sale.
Expected Proceeds Calculation	The Defeasance Manger shall calculate the Expected Proceeds from the sale of Investments and the termination of CDS Contracts (apart from USNTID CDS) on a weekly basis and provide a report summarising such liquidations to the Rating Agencies.

Buyback Rules	With respect to Senior Debt Obligations, the vehicle shall be permitted to buy back Senior Debt Obligations in Defeasance. Subject to meeting certain conditions as agreed with the Rating Agencies, it shall not be restricted to buying back the Senior Debt Obligations in Legal Maturity Date order during Defeasance. The vehicle can buyback Senior Debt Obligations which are not those with the shortest outstanding maturity if the Defeasance Manager reasonably expects sufficient funds to be available in order to successfully redeem all maturing Senior Debt Obligations with shorter maturities than the Senior Debt Obligation in question. The vehicle shall only be permitted to buy back Senior Debt Obligations in Defeasance if: 1) The vehicle pays par value plus interest accrued for such Senior Debt Obligation; and 2) No Senior Debt Obligations shall be permitted to be bought back if such buyback would result in the breach of either the Minor Capital Adequacy Test or the Major Capital Adequacy Test or, to the extent that either the Minor Capital Adequacy Test or the Major Capital Adequacy Test was not satisfied prior to such buyback, such breach shall not be made worse following such buyback;
Conditions to Redemption	The Capital Notes may only be redeemed in defeasance when all outstanding Prior Ranking Obligations have been paid and/or provisioned for in full. Please see Appendix B, Terms and Conditions of the Capital Notes for full details of the Conditions to Redemption and the Redemption Priority.

IX. Senior Funding

Introduction	The Issuer will issue a range of Senior Debt Obligations in various currencies, forms and maturities and enter into Repo Funding Transactions in order to: a) minimise the cost of financing the Investment Portfolio; and b) maintain a minimum Weighted Average Life of Senior Funding.
Senior Funding	Shall included Senior Debt Obligations, funds raised through Repo Transactions and Liquidity Advances.
CP and MTN Programmes	As described in more detail in Appendix A, the Issuer will set up and utilise the CP and MTN programmes.
USCP and USMTN Programmes	As described in more detail in Appendix A, the U.S. Issuer will set up and utilise the USCP and USMTN programmes.
Currency	The Issuer shall to have the ability to issue CP and MTN in U.S. dollars and in any Eligible Currency. The U.S. Issuer expects to have the ability to issue USCP and USMTNs in any other Eligible Currency.
Securities Lending Agreements	To be finalised post closing.
Repo Investments	On any given day, all Investments which are included in Repo pools and are attributable to Repo Counterparties (e.g. have been sold to a Repo Counterparty under a Repo Transaction). For the avoidance of doubt, Repo Investments include all Investments included in Repo Transactions but do not include Potential Committed Repo Investments (which are not yet included in any Repo Transactions).
Repo Transactions	Upon instruction from the Investment Manager, the Administrator may arrange for the Issuer to enter into Repo Transactions, with respect to its Investments. Individual Repo Counterparties rank senior (they have Special Liens) to other Secured Obligors with regards to the specific pools of Investments (the "Repo Investments") which are subject to the individual Repo Transaction(s) applicable to each Repo Counterparty. Any amounts outstanding owed to Repo Counterparties after the liquidation of the Repo Investments shall rank *pari passu* in the Priority of Payments in Enforcement to the Senior Obligations (see Priority of Payments in Enforcement Section VIII). For the avoidance of doubt, in this document, Repo Transactions include Repo Transactions which are alternative sources of funding to using Senior Debt Obligations ("Funding Repo Transactions"), and Repo Transactions which are a result of drawing on a Committed Repo Facility ("Committed Repo Transactions").
Repo Transaction Criteria	The Issuer may only enter into Repo Transactions subject to the following conditions: a) Repo Investments are required to be Investments which would otherwise meet the criteria to qualify as Potential Committed Repos on the date of entering into such Repo Transactions. b) Repo Investments may not be Matched Investments or LEIs; c) Repo Counterparties must have a minimum rating of A-1/P-1 and Repo Transactions outstanding with Repo Counterparties whose ratings are downgraded to below A-1/P-1 must be terminated within 30 Calendar Days; d) The Issuer may receive or post margin at any time, provided that all margin takes the

form of cash;

e) No Repo Counterparty may be awarded any right of set off against the Issuer;

f) Failure to pay any sum to the Repo Counterparty will not trigger Enforcement;

g) The use of an Investment as a Repo Investments shall not affect the capital requirement calculation of such Investment;

h) Repo Transactions must be in compliance with the Repo Limitation Test;

i) Repo Transactions will be documented in accordance with the Repo Annex Standard Form, to be agreed between the Issuer and Repo Counterparties in a form subject to Rating Agency Approval; and

j) Repo Transactions must be specifically reported to the Rating Agencies within the weekly surveillance reports.

Repo Investment Funding Value	The Repo Investment Funding Value (RIFV) is the total amount of funds outstanding raised by Repo Transactions with Repo Investments.
Repo Investment Haircut	The Repo Investment Haircut is a haircut which is set in agreement with the Repo counterparty.
Repo Limitation Test	The Repo Limitation Test limits the Repo Investment Funding Value (RIFV) as a percentage of Senior Funding. The Repo Limitation Test is calculated by considering the Repo Investment Funding Value as a percentage of the Senior Funding, which may not exceed 10%.
Treatment of Repo Transactions in Restricted Funding and Enforcement	In Restricted Funding or Enforcement, the Issuer may terminate any outstanding Repo Transactions at the rate required for the Repo Counterparty to replace the terminated Repo Transactions.
Repo Master Documentation	Repo Transactions will be documented in accordance with the GMRA or MRA and amended with regards to the special provisions outlined in this section, in a form to be agreed between the Issuer and Repo Counterparties and subject to Rating Agency Approval.
Special Lien	A senior security right in favour of a Repo Counterparty over the Repo Investment in the relevant Repo Counterparty's respective pool.
Weighted Average Life of Senior Funding	Shall be calculated on each Business Day by multiplying (i) the principal amount outstanding of each Senior Funding obligation by (ii) the time to expected maturity of each Senior Funding obligation, divided by (iii) the aggregate principal amount outstanding of all Senior Funding obligations. In this calculation, where notice of extension has not been received prior to the final date upon which such notice can be given in relation to Extendible CP, the Extendible CP will be treated as maturing on its expected maturity date. After giving notice of extension, the Extendible CP will be treated as maturing on its final maturity date.
Minimum Weighted Average Life of Senior Funding	The Weighted Average Life of the Senior Funding shall not be less than 1 month during the Ramp-Up Period and shall not be less than 3 months during all other times. Failure to comply with this limit will result in Restricted Investments (after a 5 day cure period). In addition, if the Investment Manager has elected to recognise the cash flows (interest and repayment of principal) relating to Extendible CP assuming that the Extendible CP is repaid on the final maturity date (or any earlier date on which the Investment Manager may elect to repay the Extendible CP) for the purposes of the Liquidity Tests, the Investment Manager must also assume that the Extendible CP is repaid on such date for the purposes of calculating the Weighted Average Life of Senior Funding.
Extendible CP	See "Section VI. Liquidity Features" for description of Extendible CP.

Other Funding	Subject to Rating Agency Approval and based upon the instructions of the Investment Manager, the Administrator may also arrange for the Issuer to obtain other indebtedness secured against the general credit of the Issuer or against specific Investments.

X. Hedging Overview

Introduction	During the normal course of its business, the Issuer will be required to enter into hedging and derivative contracts with multiple counterparties as a method of hedging fixed rate Investments, non-U.S. Dollar floating rate Investments or Debt Obligations, managing liquidity and cash flow timing.
Hedging Contract	Shall mean an option, future or other hedging instrument, including any exchange or over-the-counter traded interest rate or currency swap, swaption, credit insurance or CDS product (as discussed in Section XI), in any case entered into with or issued by an Eligible Counterparty which: a) is denominated in an Eligible Currency or Eligible Currencies; b) is acquired either in the international capital markets or in a domestic market whose currency is an Eligible Currency; c) has a final maturity date.
Eligible Hedging Counterparty	Means a Hedge Counterparty that: a) at the time of entering into a Hedge Contract with such counterparty has an Eligible Hedge Counterparty Rating; b) is any Designated Counterparty as listed below; c) has payment obligations which are fully, irrevocably and unconditionally guaranteed by a counterparty which is itself an Eligible Hedging Counterparty; or d) may from time to time be approved by the Rating Agencies.
Designated Counterparty	Shall mean one of the following entities: Chicago Board of Trade, Chicago Mercantile Exchange, Deutsche Terminborse, London International Financial Futures and Option Exchange, Marche á Terme International de France, Singapore International Monetary Exchange, Tokyo International Financial Futures Exchange, Clearstream, Euroclear, The Depository Trust Company or such other entity as may be proposed from time to time by the Investment Manager and which is approved by the Rating Agencies. Designated Caounterparty will be assumed to be AAA rated by S&P for Capital Requirement purposes
Applicable Hedge Counterparty Rating	The Applicable Hedge Counterparty Rating for each Hedge Counterparty, in relation to each Rating Agency shall be the public long term and short term unsecured rating from that Rating Agency.
Eligible Hedge Counterparty Rating	A Hedge Counterparty has an Eligible Hedge Counterparty Rating if the Applicable Hedge Counterparty Rating is equal to or higher than A-1 and P-1 by S&P and Moody's respectively.
Minimum Hedge Counterparty Rating	A Hedge Counterparty has a Minimum Hedge Counterparty Rating if the Applicable Hedge Counterparty Rating is equal to or higher than A-1 or A- by S&P and P-1 by Moody's.
Effect of Failure to Maintain Eligible Hedge Counterparty Rating	If, at any time during the life of a Hedging Contract, the Applicable Hedge Counterparty Rating of a Hedge Counterparty is downgraded below the Minimum Hedge Counterparty Rating , such Hedge Counterparty shall be required to comply with the Hedge Counterparty Downgrade Requirements

Hedge Counterparty Downgrade Requirements:	Following a downgrade below the Minimum Hedge Counterparty Rating, the Hedge Counterparty is required within 30 calendar days of such downgrade to either: a) procure another entity with a rating at least equal to the Eligible Hedge Counterparty Rating to guarantee its obligations under the Hedge Contract; or b) find a replacement Hedge Counterparty with a rating at least equal to the Eligible Hedge Counterparty Rating. In the event of a failure by the Hedge Counterparty to take either of the required remedial actions above, the Issuer shall have the right to terminate the outstanding Hedging Contract at the Issuer's side of the market
Netting Conditions	The Issuer will only net swaps written with entities located in the following approved netting jurisdictions: Australia, Canada, Cayman, France (only financial institutions), Germany, Ireland, Switzerland, UK, USA.
Hedge Counterparty Exposures	For each Hedge Counterparty, the net mark-to-market across all Hedge Contracts where netting is permitted under the particular Hedge Contracts, is calculated (the Hedge Counterparty Exposure). For Hedge Contracts where netting is not permitted, the exposure under each such Hedge Contract will be treated as a Hedge Counterparty Exposure. Where the net position of such Hedge Counterparty Exposures is positive, such exposures will be treated as Investments for purposes of the Capital Tests (see Section III for more details). The notional of such Investments will be equal to the net positive mark-to-market of the combined Hedge Agreements with that counterparty (or of that single Hedge Contract where netting is not permitted), and the issuing entity will be the Hedge Counterparty. The net Positive Hedge Counterparty Exposure for each Hedge Counterparty shall be treated as a Single Obligor Group and tested against the Normal Obligor concentration limits in the Maximum Net Positive Hedge Counterparty Exposure Test. See Section IV for further details.
Hedge Capital Requirements	The Base Capital Requirement for net positive Hedge Counterparty exposures is dependent on the Applicable Hedge Counterparty Rating of the Hedge Counterparty and the weighted average life of the Hedge Agreement. The Capital Investment Class for net positive Hedge Counterparty Exposures shall be RMBS.
Treatment in case of Restricted Funding and Enforcement Event	In case of Restricted Funding or Enforcement, the Issuer will be entitled to terminate any outstanding Hedging Contract on payment of the any applicable hedge termination payment at their option.
ISDA Schedule Standard Form for Hedging Contracts	Hedging Contracts will be documented in accordance with the ISDA Schedule Standard Form and amended with regards to the special provisions outlined in this section, in a form to be agreed between the Issuer and Hedge Counterparties subject to Rating Agency Approval. Further Schedules with different provisions as compared to those described above can be used subject to Rating Agency Approval
Credit Default Swaps	The Issuer may take exposure through CDS. For full details see Synthetic Investments Section XI.

XI. Synthetic Investments

Introduction	The Issuer shall be able to take synthetic exposure to structured finance securities through the writing of credit derivative contracts. This is intended to accelerate the Investment Portfolio acquisition in a capital-efficient manner. Throughout this document, where appropriate and unless specifically modified differently, references to Investment purchases or ownership shall be deemed to include synthetic exposure to an Investment through derivative contracts.
Credit Default Swaps - General	
CDS Criteria	Synthetic exposure by the Issuer will be taken through the use of Credit Default Swaps, which are entered into with an Eligible CDS Counterparty. CDS must fulfil the following criteria: a) Referenced to an Eligible Reference Obligation; b) Both the CDS and Deliverable Obligation are denominated in an Eligible Currency c) The CDS has a defined CDS Maturity Date
CDS Confirm	Each CDS Confirm specifies the details of the agreement between the counterparty and the Issuer. Two general forms of CDS confirm, which will be approved by the Rating Agencies will initially be used: a) Pay As You Go Confirm: After the occurrence of a Credit Event, either settlement may occur or the CDS Counterparty may receive Pass Through Payments to offset the resulting shortfalls. If settlement occurs it shall be in the form of Physical Settlement. b) Cash or Physical Settlement Confirm: After the occurrence of a Credit Event, the CDS Counterparty shall have an option, for a defined period of time, to make a Physical Settlement, after which time the CDS shall be settled through Cash Settlement. The use of any alternative CDS Confirms shall be subject to Rating Agency Approval. Throughout this document, Credit Default Swaps which are subject to the terms and conditions of any CDS Confirm shall be generically referred to as a "CDS".
Synthetic Investment Volume	Defined as the total volume of Investments referenced through CDS. It shall not represent more than 50% of the Total Principal Portfolio Value (Principal amount outstanding of all Investments, including Cash Equivalents and the principal amount outstanding of any Eligible Reference Obligation used in a CDS).
CDS Maturity Date	All CDS entered into by the Issuer shall have a specified final maturity date linked to the Legal Maturity Date of the Reference Obligation. As for Cash Investments (see Investment Purchase Criteria, Investment Portfolio Section IV), the maximum life of a CDS shall be limited to 35 years with the exception of RMBS and CDOs of ABS which will be limited to 100 years. This period shall be defined as the period between the day the respective CDS becomes effective and the CDS Maturity Date.
Non-Compliance	Should the Eligible Reference Obligation fail to comply with the Investment Holding Criteria, the CDS shall be classified as a non-Eligible Investment after a cure period of five business days.
Eligible CDS Counterparty	Means a CDS Counterparty that: a) was rated at least A/A-1 by S&P and A2/P-1 at the time of entering into a CDS with the Issuer; b) is a Counterparty whose payment obligations are fully, irrevocably and unconditionally guaranteed by a counterparty which is itself an Eligible Counterparty; or c) such other Counterparties as may be approved from time to time by the Rating Agencies.

Reference Obligation	The Reference Obligation is the Investment identified as the reference obligation under the terms of the CDS.
Reference Obligation Effective Notional	The Effective Notional of the Reference Obligation as specified under the CDS.
Eligible Reference Obligation	All Eligible Reference Obligations shall comply with the Investment Purchase Criteria a) to p) (see Section IV), i.e. the underlying Reference Obligations will be tracked as Investments for the purpose of compliance with the Investment Purchase Criteria.
Deliverable Obligation	The Deliverable Obligation shall be the Reference Obligation only unless otherwise agreed with the Rating Agencies.
Credit Events	A CDS contract will include the following Credit Events, if not agreed otherwise with the CDS Counterparty and the Rating Agencies: a) Failure to Pay; b) Loss Event; and c) Rating Downgrade. Credit Events may also include: a) Under Collateralisation Event; b) Bankruptcy; c) Restructuring; d) PIK Continuation Event; or e) Interest Pass Through Event. Full details of these Credit Events can be found in the example CDS Confirms in Appendices N and O. The Investment Manager and Administrator will monitor the Reference Obligations for the occurrence of any Credit Events. The occurrence of a Credit Event will lead to settlement of the CDS by the Issuer.
Settlement Procedures	The settlement process is described in the relevant CDS contract. Settlement ultimately shall either be in the form of Cash or Physical Settlement: a) Cash Settlement The Cash Settlement amount shall be defined as the difference between the Reference Obligation Effective Notional and the Post Credit Event Trading Price. It shall be paid to the CDS Counterparty within a specified number of days after the determination of the Post Credit Event Trading Price. The Post Credit Event Trading Price shall be determined in accordance with the procedure as laid out in the relevant CDS contract. In the case of Cash Settlement, the Settlement Amount (the "Cash Settlement Amount") shall be the Reference Obligation Effective Notional less the Post Credit Event Trading Price. b) Physical Settlement The Physical Settlement amount shall be defined as the Reference Obligation Effective Notional as set out in the CDS contract. It shall be paid to the CDS Counterparty within a specified number of days after the occurrence of a Credit Event. In return, the CDS counterparty will transfer the Deliverable Obligation.

In the case of Physical Settlement, the Settlement Amount (the "Physical Settlement Amount") shall be the Reference Obligation Effective Notional.

Forms of CDS and Risks

Forms of CDS

There will be three basic Forms of CDS:

a) Funded Synthetic on Balance Sheet (Balance Sheet CDS)

b) Unfunded Synthetic Terminated in Defeasance (USTID)

c) Unfunded Synthetic Not Terminated in Defeasance (USNTID)

Balance Sheet CDS

The Issuer shall have the ability to enter into Balance Sheet CDS.

Balance Sheet CDS will be a combination of a CDS and the CDS Collateral.

CDS Collateral

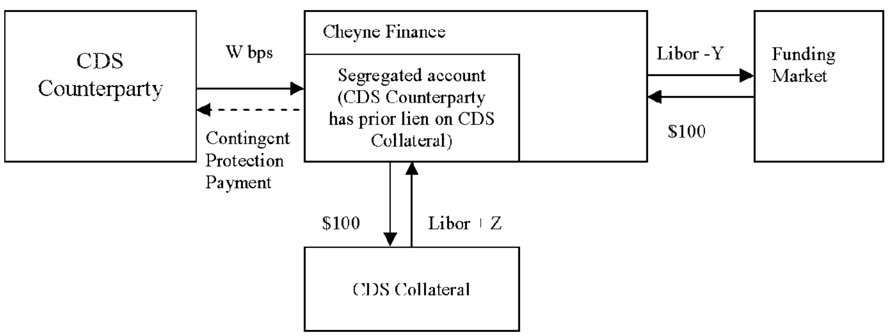
CDS Collateral (or shall be agreed between the CDS Counterparty and the Investment Manager with the following characteristics:

a) Must be an Eligible Investment Type

b) Must be approved by the Investment Manager

c) Must be rated Aaa/AAA

Balance Sheet CDS (BS CDS)



In a Balance Sheet CDS, the Issuer will raise funding in order to purchase the CDS Collateral which is then placed in a segregated account. The CDS Counterparty will have a prior lien over the CDS Collateral and the Issuer shall have a subordinated claim only.

The CDS Counterparty will enter into a CDS directly with the Issuer and the Issuer's obligations under the CDS will be secured against the CDS Collateral. The CDS Counterparty will not have any claim against any other Collateral of the Issuer.

For the avoidance of doubt, in such case where the Settlement Amount following a Credit Event is greater than the Market Value of the CDS Collateral, the CDS Counterparty has no further claim upon the Issuer.

Balance Sheet CDS Risks

The following risks to the Issuer arise from an investment in a Balance Sheet CDS:

a) Default of the Reference Obligation

The Issuer will liquidate the CDS Collateral in order to pay the Settlement Amount.

Upon completion of the Credit Event process and finalisation of the loss amount, under Cash Settlement, any remaining CDS Collateral amounts will be released from the segregated account and rejoin the main Cash Investment pool. Under Physical Settlement, any remaining CDS Collateral (which may occur if the CDS Collateral is trading above par) is released immediately after payment of the Settlement Amount.

b) Defeasance occurs

Whilst the CDS Collateral is in place, the CDS Counterparty has no termination rights. However, it may be necessary to liquidate the CDS Collateral in order to repay the Senior Funding issued to purchase the CDS Collateral. In order to release the CDS Collateral from the security of the CDS Counterparty's segregated account it will be necessary to terminate (and hence MTM) the CDS. If the CDS Collateral does not need to be liquidated to repay the earlier maturing Senior Debt Obligations, the CDS will remain in place at the Issuers option.

c) Default of the CDS Collateral

Both the Issuer and the CDS Counterparty have exposure to such risk. If the CDS Collateral defaults then the position of the CDS Counterparty is worsened, as this reduces the collateral available to it following a Credit Event.

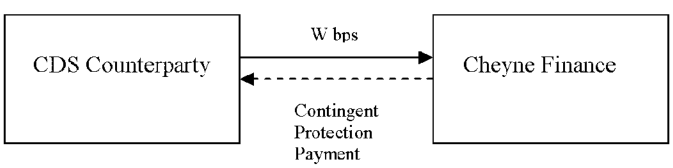
However, losses on the CDS Collateral may also cause losses to the Issuer. At termination of the CDS (either at maturity or following a Credit Event and settlement) security over the remaining CDS Collateral will be released back to the Issuer. For the avoidance of doubt the Investment Manager can choose to either sell the remaining CDS Collateral or hold it in the Investment Portfolio. The value of the CDS Collateral at this time will be reduced by losses or other market value deterioration suffered by the CDS Collateral.

d) Default of the CDS Counterparty

Assuming that the CDS does not contain a clause such that no payments are due to the CDS Counterparty upon its default (in which case the risk would be zero), it is necessary to terminate the CDS and make or receive a termination MTM payment at the Issuer's side of the market.

If the CDS Counterparty makes premium payments in arrears, the Issuer could suffer a loss of up to one period of CDS premium upon CDS Counterparty default.

Unfunded Synthetic Terminated in Defeasance (USTID)



In Unfunded Synthetic Terminated in Defeasance (USTID) CDS, the Issuer will enter into unfunded CDS with CDS Counterparties. In Defeasance, the agreement will be unwound as described below and the CDS will be marked to market.

Unfunded Synthetic Terminated in Defeasance Risks	The following risks to the Issuer arise from taking exposure through an USTID:

a) Default of the Reference Obligation

The Issuer will liquidate Cash Investments or raise additional Senior Funding in order to pay the Settlement Amount.

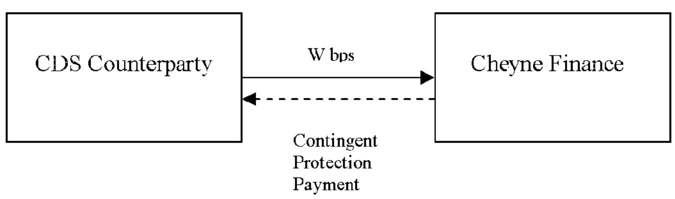
b) Defeasance occurs

The CDS Counterparty is given a termination option and is expected to use it. The CDS will thus be terminated and marked to market. In the case of a negative mark to market, the Issuer will need to liquidate Cash Investments or raise permitted Senior Funding in order to pay the mark to market amount.

c) Synthetic Counterparty defaults

Assuming that the CDS does not contain a clause such that no payments are due to the CDS Counterparty upon its default (in which case the risk would be zero), it is necessary to terminate the CDS and make or receive a termination mark to market payment. If the CDS Counterparty makes premium payments in arrears, the Issuer could suffer a loss of up to one period of CDS premium payment.

Unfunded Synthetic Not Terminated in Defeasance (USNTID)



Description	In Unfunded Synthetic Not Terminated in Defeasance CDS, the Issuer will enter into unfunded CDS with CDS Counterparties. In Defeasance, the CDS does not need to be terminated but may continue until maturity at the Issuer's option.
Unfunded Synthetic Not Terminated in Defeasance Risks	The following risks to the Issuer arise from taking exposure through an USNTID CDS:

a) Reference Obligation defaults:

The Issuer will liquidate Cash Investments or raise Senior Funding in order to pay the Settlement Amount.

b) Restricted Funding or Enforcement Event occurs:

The CDS Counterparty does not have a right to terminate the CDS although the Issuer will have an option to do so (this option will typically be taken if the MTM is positive for the Issuer). As a result, the Issuer does not face market value risk to the Reference Obligation in Defeasance.

c) Default of the CDS Counterparty:

Assuming that the CDS does not contain a clause such that no payments are due to the CDS Counterparty upon its default (in which case the risk would be zero), it is necessary to terminate the CDS and make or receive a termination MTM payment. If the CDS Counterparty makes interest payments in arrears, the Issuer could suffer a loss of up to one period of CDS spread income.

Capital Requirements

Capital Requirements for Balance Sheet CDS	The capital requirement for a Balance Sheet CDS shall be the sum of the following: a) Reference Obligation default: The Base Capital Requirement for Reference Obligations shall be the Base Capital Requirement with reference to the Capital Investment Class relevant to a Cash Investment of the equivalent Sector, Weighted Average Life and Deemed Rating as outlined in Appendix C. (See Capital Tests Section III for further details). b) Defeasance occurs: As the Base Capital Requirement for the Reference Obligation already covers market value risk, which is the key risk in Defeasance, no extra capital is required for this risk. c) CDS Collateral defaults: The Base Capital Requirement for CDS Collateral will be the same Base Capital Requirement for a Cash Investment of equivalent Sector, Weighted Average Life and Deemed Rating as outlined in Appendix C. d) CDS Counterparty defaults: As the Base Capital Requirement for the CDS already covers market value risk, which can result from a counterparty default, no extra capital is required for this risk. Where the premium paid by the CDS Counterparty is paid in advance, there is a risk that such payment will not be made if the CDS Counterparty were to default. CDS Counterparty is paid in advance, there is a risk that such payment will not be made if the CDS Counterparty were to default. Such default risk shall be addressed by either (i) introducing a condition where payments of premiums are made in advance if a CDS Counterparty is downgraded below a certain trigger level and (ii) introducing an additional capital charge (the CDS Premium Capital Requirement ("PCR") to cover the CDS Counterparty default risk. on the CDS premium accrued since the last premium payment date. This additional capital is to cover the risk of the CDS Counterparty defaulting and not making the premium payment due in that period. The PCR shall be equal to the [3] month expected loss of an Investment with the same Deemed Rating as the CDS Counterparty. The expected loss shall be calculated using the idealised default rate table of the applicable Rating Agency and assuming a 45% recovery rate.
Capital Requirements for Unfunded Synthetic Terminated in Defeasance	The capital requirement for an USTID shall be the sum of the capital charges for: a) Reference Obligation default risk as for Balance Sheet CDS Capital Requirement b) Defeasance occurrence risk as for Balance Sheet CDS Capital Requirement c) CDS Counterparty default risk as for Balance Sheet CDS Capital Requirement There is no Capital charge for risk of CDS Collateral defaulting as there is no CDS Collateral.
Capital Requirements for Unfunded Synthetic Not Terminated in Defeasance	Given that the USNTID CDS shall not be required to be marked to market in Defeasance, the capital requirement for risks relating to the Reference Obligation are based principally on an expected credit losses, as per a synthetic CDO but contain a market value component. The capital requirement calculation is constructed such that the capital requirement of the USNTID CDS is equivalent to that of a Cash Investment if the probability of default of the CDS Counterparty is 1 and is the expected loss of the Reference Obligation if the probability of default of the CDS Counterparty is zero. Such capital requirement shall be known as the Synthetic Investment Capital Requirement (SICR) shall be determined in agreement with the Rating Agencies at a later date. In addition, the Total Unfunded Synthetic Base Capital Requirement, ("TUSBCR") shall include a provision for the loss of spread income in the event of CDS Counterparty default as outlined below.

TUSBCR(Major) shall be the sum of the following:

(i) Sum of (((Market Value of USNTID CDS - (Market Value of Reference Obligation * relevant Investment Capital Requirement))* CPTY DR) – (EL*(1 – CPTY DR)))

CPTY DR = CDS Counterparty Idealised Default Rate (see Appendix [●] for details)

EL = the expected loss of the Reference Obligation (see Appendix [●] for details)

TUSBCR(Major) shall be used in the calculation of the Major Capital Adequacy Test. (i) shall be amended (TUSBCR(Minor)) to read as follows for the purpose of calculating the Minor Capital Adequacy Test:

Sum of (((Market Value of USNTID CDS - (Market Value of Reference Obligation * (relevant Investment Capital Requirement * 100/70)))* CPTY DR) – ((EL * 100/70) *(1 – CPTY DR)))

CDS Counterparty Idealised Default Rate	See the table in Appendix D for the CDS Counterparty Idealised Default Rate. This shall be calculated using the Deemed Rating of the CDS Counterparty and the Weighted Average Life of the Reference Obligation.
Capital Charge for CDS Counterparty Exposures	As with other derivative exposures, positive CDS Counterparty exposures shall be capital charged as using the Deemed Rating of the CDS Counterparty and the Weighted Average Life of the Reference Obligation.

Liquidity Requirements

CDS Spread Income	CDS spread income is included as a normal cash inflow for the purpose of the Liquidity Tests.
Liquidity Requirements for Synthetics	On a daily basis, the Issuer will calculate the required CDS Buffers necessary for the calculation of the Liquidity Tests (see Section VI).

CDS Buffer and Cash Flow Rules for Balance Sheet CDS	For Balance Sheet CDS, the CDS Buffers are both zero. However, the following Cash Flow Rule should be noted: a) If the CDS Collateral prepays, such prepayments will be used to invest in new CDS Collateral, (which may be other eligible CDS Collateral transferred from the Issuer) unless the Reference Obligation Effective Notional also prepays. For the avoidance of doubt such prepayments shall not generally enter into the Liquidity Tests. In addition, the following MNCO related rules should be noted: a) The MNCO calculation shall take into account the expected principal cashflows from the CDS Collateral as long as the Issuer owns eligible CDS Collateral in a notional two times that of the Reference Obligation Effective Notional (e.g. it is assumed that CDS Collateral is replaced by the eligible CDS Collateral from the cash Investment Portfolio). b) If the Reference Obligation Effective Notional reduces then the excess CDS Collateral shall be released from the segregated account. Expected prepayments of the Reference Obligation Effective Notional shall only be permitted to be included in the MNCO calculations if i) there is a corresponding expected prepayment of the CDS Collateral (which would otherwise have been used to reinvest in new CDS Collateral as explained above), or ii) it is intended that the CDS Collateral will be sold at the time of such prepayment, in which case the proceeds of the CDS Collateral shall be reduced by the Base Capital Requirement for Cash Investments (See Appendix C). Following a Credit Event, the CDS Collateral is sold to fund the Settlement Amount. The Issuer can choose to purchase the CDS Collateral at the then current Market Value.
CDS Buffer for Unfunded Synthetics	In relation to Unfunded Synthetics the CDS Buffer will consists of two components: a) Level 2 CDS Buffer b) Level 1 CDS Buffer In addition Known Settlement Payments shall enter the normal calculations of the MNCO levels as a known cash outflow.
Estimated CDS Buffer	For each CDS, the Estimated CDS Buffer shall equal the relevant percentage from the following table multiplied by the Reference Obligation Effective Notional (the percentage shall be determined from the following table using the Deemed Rating of the Reference Obligation): AAA: 0.5% AA: 1.5% A: 2.0% BBB: 3.0% BB: 15.0%
Minimum CDS Buffer	The Minimum CDS Buffer shall be the sum of: a) [The largest single exposure to an obligor under an Unfunded CDS (summing the exposures across all Unfunded CDS and ignoring exposures to the same obligor in cash form)]; and b) The sum of the absolute values of the MTMs of Unfunded CDS where (i) the MTM is negative, and (b) the Deemed Rating of the CDS Counterparty is below BBB-.

Level 2 CDS Buffer	For CDS prior to the delivery of a Notice of Available Information (and therefore the amount and timing of any potential future settlement payment is entirely uncertain) the liquidity requirement only relates to potential future defaults. The Level 2 CDS Buffer for the relevant Rating Agency shall be determined on a daily basis as the sum of: a) the sum, for all CDS, of the product of the relevant Rating Agency Expected Default Rate multiplied by the relevant Rating Agency Estimated Settlement Amount. For all Unfunded CDS prior to the delivery of a Notice of Available Information; b) Applicable CDS Buffer. For the avoidance of doubt, the Level 2 CDS Buffer shall be capped at the total notional value of the Reference Obligations under USNTID CDS.
Level 1 CDS Buffer	For CDS where a Notice of Available Information has been submitted, but there is still limited uncertainty with regards to exact amount and timing of the payment, the Expected Settlement Amount payment will be determined. The Level 1 CDS Buffer for the relevant Rating Agency shall be determined on a daily basis as the sum of: a) the sum of the Expected Settlement Amounts for all Unfunded CDS where a Notice of Available Information has been submitted, but where there is not a Known Settlement Payment; b) Applicable CDS Buffer For the avoidance of doubt, the Level 1 CDS Buffer shall be capped at the total notional value of the Reference Obligations under USNTID CDS.
Applicable CDS Buffer	The Applicable CDS Buffer is the maximum of a) The Estimated CDS Buffer b) The Minimum CDS Buffer
Known Settlement Payments	For CDS where a Credit Event Notice has been given and there is certainty about the amount and timing of a Cash Settlement, or the timing of a Physical Settlement, the Settlement Amount will be taken into account as a cash-outflow directly in the normal calculation of the MNCO. In other words it will be not count towards any CDS Buffer but will be treated as with any other known cash-outflow in the Liquidity Tests.
<u>Synthetic Market Valuations</u>	
Marking Synthetic Exposures	The Issuer will mark to market CDS exposures according to the rules used for marking Cash Investments, as detailed in Section II, with the changes as described below.
Marking Funded Synthetics	The total Market Value of the Funded Synthetic CDS shall be the sum of the: a) Market Value of the CDS Collateral (determined according to the "General Valuation Rules" as defined for Cash Investments in Section II); and b) Market Value of the CDS (as outlined below).
Marking Unfunded Synthetics	The Total Market Value of Unfunded Synthetic CDS shall be the Market Value of the CDS.

Market Value of the CDS	The Market Value of the CDS shall be determined in the following manner: a) Where the CDS itself is quoted by a recognised dealer, the quote shall be as determined by reference to an independently sourced Full Market Value from a dealer. b) Where the CDS is not quoted by a recognised dealer, the Market Value shall be determined by reference to the Market Value of the Reference Obligation. For instance, the Market Value shall be the present value of a stream of cash flows equal to the difference in discount margin between the Reference Obligation at the point of entering into the CDS and the discount margin of the Reference Obligation on the valuation date, multiplied by the expected Reference Obligation Effective Notional in each period.
Market Value of the CDS affecting Capital Tests	The Market Value of the CDS shall affect the Capital Tests in the following way: a) For USNTID CDS, the Market Value of the CDS shall not affect the Capital Tests, as this form of CDS is effectively match-funded. However, the Market Value of the CDS will affect the risk to CDS Counterparty default. Hence the Market Value shall still be tracked on a regular basis in accordance with the General Valuation Rules in Section II in order to monitor the exposure in case of CDS Counterparty default and to calculate the USBCR. b) For all other forms of Synthetic Exposure, the Market Value of the CDS shall be incorporated in the Capital Tests. In particular, the Major Capital Adequacy Test and Minor Capital Adequacy Test shall contain the extra term "S" (which shall be an addition to the left hand side of the equation): S = sum of Net Market Value of CDS minus (Market Value of Reference Obligation * Investment Capital Requirement) c) The Market Value of CDS Collateral shall be tracked and treated in the Capital Tests as for any other Cash Investment.
<u>Defeasance Scenario</u>	
Treatment of Synthetics in Defeasance	Following a Restricted Funding or Enforcement Event (i.e. the vehicle is in Defeasance), the treatment of CDS will be subject to the following additional conditions: a) No new CDS shall be entered into; b) In relation to USNTID CDS, the CDS will be left in place and will only be terminated in the following circumstances: a) following CDS Counterparty default, b) at any time at the option of the Issuer (usually but not restricted to scenarios where the MTM is positive for the Issuer); c) In relation to USTID CDS will be terminated at the date agreed in the CDS contract (expected to generally be 6 months) from the Defeasance Date, unless the Issuer has then returned to Restricted Operations or Normal Operations, or earlier at the option of the Issuer; d) In relation to Balance Sheet CDS, the CDS will be terminated at the option of the Issuer or if the CDS Collateral is required to be sold in order to repay other Senior Funding. The CDS must be terminated before the CDS Collateral can be released from the prior lien security of the CDS Counterparty, however, the Issuer can replace the CDS Collateral with other Eligible CDS Collateral
<u>Miscellaneous</u>	

Portfolio Parameters Tests	CDS will be included in the Portfolio Parameter Tests. For the purposes of these calculations the market value of synthetic exposures (for inclusion in both the numerator and denominator of such tests) will be deemed the Market Value of the Reference Obligation. For example, synthetic exposure to a particular sector shall be included in the calculation of exposure to such sector, with the market value of the synthetic exposure determined as described above.
Market Sensitivity Tests	CDS are fundamentally floating rate but have sensitivity to interest rates given that their value is calculated using present value techniques. This is equivalent to the value of excess spread, which is removed from the Market Sensitivity Tests (see Adjustment for Spread Income) being affected by interest rates. Accordingly, CDS will be excluded from the calculation of the Interest Rate Exposure Compliance Tests. CDS will not initially be included in the Currency Exposure Compliance Tests since all CDS shall be U.S. Dollar denominated until otherwise agreed with the Rating Agencies. CDS Collateral will be included in all of the Market Sensitivity Tests as normal.
Priority of CDS Counterparty	CDS Counterparties under Balance Sheet Funded CDS hold senior liens against the relevant CDS Collateral (which is held in a segregated account). Their claim to the CDS Collateral is in priority to other holders of Capital Senior Obligations. The CDS Counterparties' claim on the CDS Collateral is however restricted to protection payments due under the CDS. Should the CDS Collateral be insufficient to make a termination payment to the CDS Counterparty, the CDS Counterparty shall have no further claim against the Issuer. CDS Counterparties under Unfunded Synthetics are holders of Capital Senior Obligations. Credit payments when due will be treated as a Senior Obligation for the Issuer.
Delivery in non-USD	Non-U.S. Dollar denominated Reference Obligations are not permitted without Rating Agency Approval. As the Deliverable Obligation must be the Reference Obligation, then delivery under Physical Settlement of non-USD Reference Obligations cannot occur.
WAL of Senior Debt Obligations	The net market to market of USTID and the CDS Market Value of Balance Sheet Synthetics shall be considered as [6] month (to match the date following entry into Defeasance when they will be terminated) exposures for purposes of the calculation of the WAL of Senior Debt Obligations.
CDS Protection Purchased	The Issuer may purchase CDS protection (e.g. short the market) in the following scenarios: a) to offset cash or synthetic exposures it already owns b) to take an explicit short However, the Issuer will not be permitted to purchase protection until a full proposal has been approved by the Rating Agencies.
Total Return Swaps	The Issuer shall also have the ability to enter into Total Return Swaps subject to Rating Agency Approval.

XII. Reporting

Reporting Introduction	The Administrator shall ensure that the reports shown below will be produced and distributed to the specified recipients at the specified frequency.
Rating Agency Reporting	This report is produced weekly for the Rating Agencies (except when any of the tests has failed, in which case shall be produced on either the Business Day of such failure or the following Business Day. It outlines the results of the (i) Portfolio Parameter Tests, Liquidity Tests, Market Sensitivity Tests, Minimum Weighted Average Life of Senior Funding Test Capital Tests (ii) the amount of Committed Liquidity Facilities and the Haircut Market Value of Liquidity Eligible Investments, (iii) any credit downgrades or defaults occurring during the reporting period, (iv) the Investment Portfolio Composition and (v) a list of which Investments are wrapped and by which monoline. In addition, a Transaction Summary Report shall also be provided to the Rating Agencies on a weekly basis which outlines Repo Transactions executed during the past week and information on the cost of funds and the average investment return on the Investment Portfolio. A report outlines Repo Transactions executed during the past week and information on the cost of funds and the average investment return on the Investment Portfolio shall also be provided to the Rating Agencies on a weekly basis
Default Order of Sale	The Investment Manager shall submit the Default Order of Sale to the Rating Agencies on a regular basis for the information of the Rating Agencies.

Appendix A. Senior Debt Obligations

Please see the relevant Information Memorandum for details.

Appendix B. Terms and Conditions of the Capital Notes

Please see the relevant Information Memorandum for details.

Appendix C. Base Capital Requirements for Cash Investments

Overview

Base Capital Requirement figures for Cash Investments are calculated using Rating Agency approved methodologies. The below tables display yearly specific haircut figures. Monthly specific haircuts will be calculated using linear interpolation between yearly points.

For the purpose of determining the Base Capital Requirement for specific Investments, the Weighted Average Life of each Investment will be rounded to the nearest month.

S&P Base Capital Requirements calculate haircuts which are not specific to the WAL of Senior Debt Obligations. Base Capital Requirements for Investments with a maturity less that 12 months are calculated by interpolating between 0 and the relevant 1 year Base Capital Requirement.

S&P Base Capital Requirements for Cash Investments

CDOs

Deemed Rating	Years 1	2	3	4	5	6	7	8	9	10
AAA	3.49	3.98	4.63	5.23	5.89	6.65	7.32	8.07	8.82	9.57
AA+	3.58	4.16	4.91	5.61	6.36	7.21	7.97	8.80	9.62	10.44
AA	3.67	4.34	5.19	5.98	6.83	7.77	8.62	9.53	10.42	11.30
AA-	3.87	4.80	5.92	7.00	8.11	9.32	10.44	11.59	12.71	13.78
A+	4.07	5.26	6.66	8.02	9.38	10.87	12.26	13.64	14.99	16.26
A	4.27	5.73	7.39	9.04	10.66	12.42	14.08	15.70	17.27	18.74
A-	4.62	6.35	8.29	10.17	11.96	13.88	15.63	17.31	18.89	20.35
BBB+	4.97	6.98	9.19	11.30	13.27	15.33	17.18	18.92	20.51	21.95
BBB	5.33	7.61	10.08	12.42	14.57	16.78	18.73	20.52	22.13	23.55
BBB-	10.66	13.34	16.14	18.71	20.97	23.22	25.11	26.81	28.27	29.49
BB+	15.99	19.06	22.20	24.99	27.37	29.65	31.49	33.09	34.40	35.44
BB	21.32	24.79	28.26	31.28	33.76	36.08	37.88	39.38	40.53	41.38
BB-	26.66	30.51	34.32	37.56	40.16	42.52	44.26	45.66	46.67	47.33
< BB-	100	100	100	100	100	100	100	100	100	100

CMBS

Deemed Rating	Years 1	2	3	4	5	6	7	8	9	10
AAA	3.18	3.66	4.19	4.77	5.42	5.96	6.72	7.46	8.20	8.96
AA+	3.29	3.92	4.60	5.34	6.14	6.84	7.77	8.66	9.56	10.46
AA	3.41	4.17	5.01	5.91	6.86	7.72	8.82	9.86	10.91	11.95
AA-	3.55	4.46	5.46	6.52	7.61	8.62	9.86	11.04	12.21	13.37
A+	3.69	4.75	5.90	7.12	8.35	9.52	10.91	12.22	13.52	14.79
A	3.84	5.04	6.35	7.72	9.10	10.42	11.96	13.40	14.83	16.22
A-	4.10	5.43	6.85	8.33	9.80	11.20	12.80	14.29	15.74	17.13
BBB+	4.36	5.81	7.35	8.94	10.49	11.98	13.64	15.17	16.65	18.05

BBB	4.63	6.19	7.84	9.55	11.19	12.76	14.48	16.06	17.56	18.96
BBB-	10.74	11.92	14.51	16.42	18.21	19.89	21.67	23.27	24.74	26.09
BB+	16.86	17.66	21.18	23.30	25.23	27.02	28.86	30.48	31.93	33.22
BB	22.98	23.40	27.85	30.17	32.26	34.16	36.05	37.69	39.12	40.34
BB-	29.10	29.14	34.51	37.05	39.28	41.29	43.24	44.90	46.31	47.47
< BB-	100	100	100	100	100	100	100	100	100	100

Credit Cards

	Years									
Deemed Rating	1	2	3	4	5	6	7	8	9	10
AAA	1.50	1.73	1.99	2.26	2.48	2.78	2.99	3.31	3.64	3.98
AA+	1.57	1.84	2.15	2.47	2.78	3.18	3.50	3.89	4.28	4.69
AA	1.63	1.95	2.31	2.68	3.08	3.57	4.01	4.46	4.92	5.39
AA-	1.71	2.05	2.44	2.83	3.27	3.79	4.26	4.74	5.23	5.72
A+	1.79	2.15	2.57	2.99	3.46	4.01	4.51	5.02	5.53	6.05
A	1.87	2.26	2.70	3.15	3.64	4.23	4.76	5.29	5.84	6.39
A-	2.12	2.61	3.16	3.74	4.38	5.03	5.61	6.23	6.86	7.49
BBB+	2.37	2.96	3.62	4.34	5.11	5.83	6.46	7.18	7.89	8.60
BBB	2.63	3.31	4.08	4.93	5.85	6.63	7.31	8.12	8.92	9.71
BBB-	8.37	9.17	10.06	11.03	12.08	12.95	13.70	14.59	15.45	16.30
BB+	14.12	15.03	16.03	17.14	18.31	19.27	20.10	21.06	21.99	22.89
BB	19.87	20.89	22.01	23.24	24.55	25.59	26.49	27.53	28.52	29.48
BB-	25.62	26.75	27.98	29.35	30.78	31.92	32.89	34.00	35.06	36.07
< BB-	100	100	100	100	100	100	100	100	100	100

Auto Loans

	Years									
Deemed Rating	1	2	3	4	5	6	7	8	9	10
AAA	1.60	2.01	2.46	2.95	3.42	3.96	4.42	4.97	5.53	6.10
AA+	1.67	2.14	2.66	3.22	3.75	4.36	4.89	5.50	6.12	6.76
AA	1.74	2.27	2.86	3.48	4.08	4.76	5.36	6.03	6.72	7.41
AA-	1.86	2.48	3.18	3.91	4.61	5.40	6.12	6.91	7.71	8.51
A+	1.97	2.70	3.49	4.34	5.14	6.05	6.89	7.79	8.69	9.60
A	2.09	2.91	3.81	4.77	5.68	6.70	7.65	8.66	9.68	10.69
A-	2.34	3.27	4.28	5.35	6.35	7.47	8.51	9.59	10.67	11.73
BBB+	2.60	3.64	4.76	5.93	7.03	8.24	9.37	10.52	11.66	12.77
BBB	2.86	4.01	5.24	6.52	7.71	9.02	10.22	11.45	12.65	13.80
BBB-	8.66	10.02	11.45	12.91	14.24	15.67	16.98	18.28	19.52	20.70
BB+	14.46	16.03	17.67	19.30	20.77	22.33	23.73	25.11	26.39	27.59
BB	20.26	22.05	23.88	25.69	27.30	28.99	30.49	31.93	33.27	34.48
BB-	26.07	28.06	30.09	32.08	33.83	35.64	37.24	38.76	40.14	41.38
< BB-	100	100	100	100	100	100	100	100	100	100

RMBS

	Years									
Deemed Rating	1	2	3	4	5	6	7	8	9	10
AAA	1.74	2.03	2.26	2.62	2.97	3.26	3.68	4.09	4.50	4.92
AA+	1.80	2.14	2.41	2.82	3.21	3.56	4.02	4.47	4.93	5.40
AA	1.86	2.24	2.57	3.02	3.46	3.85	4.37	4.86	5.37	5.87
AA-	1.97	2.42	2.82	3.36	3.88	4.36	4.97	5.55	6.14	6.73
A+	2.07	2.59	3.07	3.70	4.29	4.87	5.57	6.24	6.91	7.59

A	**2.18**	**2.77**	**3.32**	**4.03**	**4.71**	**5.38**	**6.17**	**6.93**	**7.69**	**8.45**
A-	2.41	3.08	3.72	4.50	5.24	5.96	6.81	7.60	8.39	9.17
BBB+	2.65	3.40	4.11	4.96	5.77	6.55	7.44	8.28	9.10	9.90
BBB	**2.89**	**3.71**	**4.50**	**5.43**	**6.29**	**7.14**	**8.08**	**8.95**	**9.81**	**10.62**
BBB-	9.59	10.55	11.46	12.49	13.42	14.32	15.26	16.12	16.97	17.76
BB+	16.29	17.38	18.43	19.55	20.56	21.51	22.45	23.29	24.13	24.90
BB	**22.99**	**24.22**	**25.39**	**26.62**	**27.69**	**28.70**	**29.63**	**30.46**	**31.29**	**32.04**
BB-	29.69	31.06	32.35	33.68	34.82	35.89	36.82	37.62	38.46	39.18
< BB-	100	100	100	100	100	100	100	100	100	100

Student Loans

Deemed Rating	Years									
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
AAA	**1.53**	1.81	**2.09**	**2.37**	**2.65**	**2.91**	**3.07**	**3.38**	**3.71**	**4.04**
AA+	2.00	2.42	2.83	3.30	3.76	4.21	4.61	5.08	5.60	6.13
AA	**2.46**	**3.04**	**3.57**	**4.24**	**4.88**	**5.50**	**6.15**	**6.77**	**7.50**	**8.23**
AA-	2.58	3.26	3.90	4.69	5.45	6.19	6.97	7.70	8.55	9.39
A+	2.70	3.48	4.24	5.15	6.01	6.89	7.78	8.64	9.60	10.55
A	**2.82**	**3.71**	**4.57**	**5.60**	**6.58**	**7.58**	**8.60**	**9.57**	**10.64**	**11.71**
A-	3.08	4.08	5.07	6.21	7.28	8.37	9.47	10.50	11.62	12.71
BBB+	3.34	4.46	5.56	6.81	7.98	9.15	10.33	11.43	12.59	13.72
BBB	**3.60**	**4.84**	**6.05**	**7.41**	**8.67**	**9.94**	**11.20**	**12.35**	**13.57**	**14.73**
BBB-	9.51	10.96	12.39	13.92	15.31	16.68	18.01	19.21	20.44	21.58
BB+	15.42	17.09	18.72	20.42	21.94	23.42	24.82	26.07	27.31	28.44
BB	**21.33**	**23.22**	**25.05**	**26.93**	**28.57**	**30.16**	**31.63**	**32.93**	**34.18**	**35.30**
BB-	27.24	29.35	31.39	33.44	35.20	36.90	38.45	39.78	41.06	42.15
< BB-	100	100	100	100	100	100	100	100	100	100

HELs

Deemed Rating	Years									
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
AAA	**2.32**	**2.77**	3.16	**3.70**	**4.22**	**4.71**	**5.23**	**5.72**	**6.32**	**6.92**
AA+	2.39	2.91	3.36	3.97	4.55	5.10	5.67	6.22	6.86	7.51
AA	**2.47**	**3.05**	**3.56**	**4.24**	**4.88**	**5.49**	**6.12**	**6.71**	**7.41**	**8.09**
AA-	2.59	3.29	3.91	4.71	5.47	6.21	6.96	7.67	8.46	9.24
A+	2.72	3.52	4.26	5.18	6.06	6.93	7.80	8.62	9.52	10.39
A	**2.84**	**3.76**	**4.60**	**5.66**	**6.65**	**7.64**	**8.64**	**9.57**	**10.57**	**11.54**
A-	3.10	4.12	5.07	6.20	7.25	8.28	9.28	10.20	11.16	12.07
BBB+	3.36	4.48	5.53	6.74	7.84	8.91	9.92	10.82	11.75	12.60
BBB	**3.63**	**4.85**	**5.99**	**7.29**	**8.44**	**9.54**	**10.56**	**11.45**	**12.34**	**13.13**
BBB-	9.52	10.90	12.20	13.55	14.72	15.78	16.72	17.51	18.28	18.92
BB+	15.42	16.96	18.40	19.82	20.99	22.02	22.88	23.58	24.22	24.72
BB	**21.32**	**23.02**	**24.60**	**26.09**	**27.27**	**28.27**	**29.04**	**29.64**	**30.16**	**30.51**
BB-	27.22	29.07	30.80	32.36	33.55	34.51	35.20	35.71	36.10	36.31
< BB-	100	100	100	100	100	100	100	100	100	100

Appendix D. CDS Counterparty Idealised Default Table

To be finalised post closing

Appendix E. Investment Recovery Rate Tables

S&P	
Recovery Rates	
AAA	**80%**
AA+	25%
AA	25%
AA-	25%
A+	20%
A	20%
A-	20%
BBB+	15%
BBB	15%
BBB-	15%
BB+	7%
BB	7%
BB-	7%

Appendix F. Base Capital Requirement Sector Mapping Table

S&P

Class	Capital Requirement
CDO	CDO
ABS Consumer	Credit Cards
ABS Commercial	CMBS
CMBS Diversified (Conduit and CTL)	CMBS
CMBS (Large Loan, Single Borrower, and Single Property)	CMBS
REITs and REOCs	CMBS
RMBS A	RMBS
RMBS B&C, HELs, HELOCs, and Tax Lien	HEL
Manufactured Housing	RMBS
U.S. Agency (Explicitly Guaranteed)	***Case by Case***
Monoline/FER Guaranteed	***Case by Case***
Non-FER Company Guaranteed	***Case by Case***
FFELP Student Loans (Over 70% FFELP)	Student Loans
CLO of SME's	CMBS

Appendix G. Capital Note Maturity Test

Please let us know if you require further details

Appendix H. Liquidity Eligible Investment Eligibility and Haircuts

Industry Sector	**Deemed Ratings**	**Remaining Weighted Average Life (Year)**	**Floating-Rate Haircuts (%)**	**Fixed-Rate Haircuts (%)**
Sovereigns & Supranationals - All	AAA/Aaa	0-1	1.5	5.0
	AAA/Aaa	1-5	3.0	17.0
	AAA/Aaa	5-10	5.0	25.0

Industry Sector	Deemed Ratings	Remaining Weighted Average Life (Year)	Floating-Rate Haircuts (%)	Fixed-Rate Haircuts (%)
	AA/Aa	0-1	5.0	5.0
	AA/Aa	1-5	5.0	35.0
	AA/Aa	5-10	7.0	35.0
ABS – Prime Credit Cards	AAA/Aaa	0-2	1.0	NA
	AAA/Aaa	2-3	3.0	NA
	AAA/Aaa	3-5	5.0	NA
	AAA/Aaa	5-7	7.0	NA
ABS – Prime Auto	AAA/Aaa	0-1	3.0	NA
	AAA/Aaa	1-2	3.0	NA
	AAA/Aaa	2-3	4.0	NA
ABS – U.S. Government Guaranteed Student Loan	AAA/Aaa	0-2	3.0	NA
	AAA/Aaa	2-7	7.0	NA
Prime UK RMBS	AAA/Aaa	0-5	4.0	NA
Global Australian RMBS	AAA/Aaa	0-5	5.0	NA

Appendix I. Ratings Mapping Tables

S&P	Moody's
AAA	Aaa
AA+	Aa1
AA	Aa2
AA-	Aa3
A+	A1
A	A
A-	A3
BBB+	Baa1
BBB	Baa2
BBB-	Baa3
BB+	Ba1
BB	Ba2
BB-	Ba3
B=	B1
B	B2
B-	B3
CCC+	Caa1
CCC	Caa2
CCC-	Caa3
NR	NR

Appendix J. Issues To Be Finalised Post Closing

Financing Transactions	Proposal to follow.
Synthetic Investments	Finalisation of all terms and conditions
Senior Capital Notes	Such series of Capital Notes will not be issued at Closing. Rating Agency approval may be sought at a later date.
Non-U.S. Dollar denominated Capital Note issuance	Finalisation of all terms and conditions
Repo	Finalisation of all terms and conditions
Securities Lending Agreements	Finalisation of all terms and conditions
Matched Investments	The Investment Manager shall be required to obtain Rating Agency approval before benefiting from the Matching of Investments.
Senior and Mezzanine Capital Notes Variable Margin	There will be no Variable Margin payable on the Senior, Senior and Mezzanine Capital Notes unless agreed with the Rating Agencies at a later date
Guaranteed Securities Exposure Factor	To be set at 1 until otherwise agreed with the Rating Agencies.
Super Senior Exposure Factor	To be set at 1 until otherwise agreed with the Rating Agencies.
Complex Financial Packages	Only option A in use at Closing.
Puttable Investments	Finalisation of all terms and conditions
Matrix Methodology as an Approved Form of Valuation	Finalisation of all terms and conditions
Market Sensitivity Test in separate Tested Currencies	Finalisation of all terms and conditions
CDS Counterparty Idealised Default Table	To be determined post closing
Liquidity Assignments and Participations	Shall not be used without prior Rating Agency Approval.